S. HRG. 101-898

DISASTER ASSISTANCE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

CROP PRODUCTION LOSSES CAUSED BY EXTREME WEATHER

JULY 13, 1989

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DISASTER ASSISTANCE

THURSDAY, JULY 13, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 9:10 a.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Boren, Heflin, Harkin, Conrad, Daschle, Baucus, Kerrey, Lugar, Dole, Cochran, Boschwitz, and Gorton.

OPENING STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. On the heels of one of the most severe droughts in history, our farmers again face serious financial losses because of disastrous weather.

We are here today to determine, as best we can, the extent of those losses, the appropriate amount of disaster relief and what our budget constraints are likely to be.

As I announced just before the 4th of July break, we will have a markup of the actual legislation next week. I encourage all Senators who are going to be involved with that to come early, because five members of this committee, Republicans and Democrats, are serving on the Hastings trial. We will set a fairly early morning time for that markup; I would encourage those who are interested in it to be here right off, because if we are unable to get a quorum within 10 or 15 minutes, then we will reset it for the following week, and so on until we get a quorum.

But knowing this committee, we have always been able to get a quorum within that period of time. I mention that simply because a number of the Senators are going to have to excuse themselves from the Hastings trial to be here; we do not want to keep them any longer than we absolutely have to.

Much of the country has had weather problems and farmers from several States are calling for relief. This has not been the case in Vermont, where the weather has been generally cooperative; in fact, it has been beautiful this year. As far as my State is concerned, I do not have a dog in the fight over disaster relief.

I am committed, as I told members, to have both this hearing and a markup; but also, as chairman of this committee, I have an important responsibility to all of rural America—to make sure this committee provides the appropriate level of relief to all farmers

who need it, regardless of which State their farms happen to be located in.

As a committee, we have a lot to do this month—rural development, reconciliation, nutrition legislation, and disaster assistance. All of these initiatives are important to each and every State represented in this committee and in rural America.

The surest way for rural America to lose is for this committee to pit one State's interests against another—to pit the Northern Plains against the Southern ones, to pit farmers against the 90 percent of rural America that do not farm; to pit the Northeast against the West; and so on.

I will not allow this committee to play political games with our farmers. I think in that regard, I have the strong support of Senators on both sides of the aisle. We will only be successful if we transcend our local differences and unite in our common, national interest. It is the only way that we will get drought relief through the Senate, rural development through the Senate, reconciliation and nutrition—if we unite. We will get none of those if we pit one part of the country against another.

We all know that many farmers are facing tough problems this year. Initially, Winter wheat farmers in New Mexico, Texas, Oklahoma and Kansas had significant losses.

But since our last meeting on June 7, other areas have been hard-hit by unusual weather. Tremendous flooding has raged across Kentucky, Ohio, Indiana and most of the South. Recent hurricanes dropped enormous amounts of rain on Louisiana. There are reports of some parts of Louisiana receiving 70 inches of rain the past month—40 inches in one week alone.

Drought remains a problem in several parts of the Corn Belt, as well as the Upper Plains. Fourteen percent of North Dakota's Spring wheat crop is in very poor condition. Because of last year's drought, much of the Corn Belt has very little water in the soil for the crop to draw on. I have been out there in North Dakota, and I have seen just how dry that soil is. I would note also, seeing Senator Exon here, the difference in Nebraska, between where the water table should be, and where it really is today.

Last year, the crop could have handled a couple weeks without rain. This year, one week may be difficult to take.

The July 12 crop report confirmed what we have seen in the fields. That report shows major changes from last month. Corn production is off by 400 million bushels. Cotton production is down 1.5 billion bales, and stocks are projected to be down almost 2 billion bails. Production is off compared to last month in virtually every crop except wheat.

The July report demonstrates two major points. First, we have a problem in more areas than just wheat. Second, our outlays for the program crops will be lower than was expected in June. I know that the administration and OMB have utilized June conditions in developing the midsession review estimates of spending. Clearly those numbers do not reflect reality.

I hope that we can work out differences between OMB, CBO and USDA's numbers. Working off of June conditions, however, does not reflect either the true cost of the disaster program, nor does it reflect the true savings from the commodity programs.

Last year, my stated goal was to provide timely, responsible disaster assistance to farmers and producers hit by that terrible drought. Many people speculated, when we started looking for a package for drought relief, that we would take at least 6 months to do it. But with overwhelming bipartisan support in this committee and in the other body, we passed a bill in 6 weeks that made the most of the available funds and was immediately signed into law.

The distinguished Ranking Member of this committee, Senator Lugar, and I—with a great deal of pride—went down to the White House and joined with the President in the signing of that piece of legislation.

This year, we have less money to work with. We must face these budget constraints, determine the amount of assistance we can afford and then write a bill that distributes it fairly and equitably.

As I did last year, I pledge to provide assistance to farmers and producers who have suffered excessive losses from damaging weather. I will do everything in my power to get a bill on the President's desk before we adjourn in August.

I do this not out of any parochial interest for my State, because it does not affect my State. I do it for what I feel is best for agriculture in this country. I would urge all Senators to look at what is best for agriculture for the country, and not just for parochial interests.

Not just any bill will do. The Secretary of Agriculture has already recommended a veto of the House disaster assistance bill. Disasters are no place to play political games. While I never know who wins those games, playing games guarantees that the farmers will be the real losers.

We will not have a bill that is in the festive colors of red and green as it comes out here, with holly and mistletoe attached to it. We will not have it delivered to the Clerk of the Senate with somebody singing Jingle Bells, or God Rest Ye Merry Gentlemen, whichever works best.

With your help, we can enact legislation that fairly provides aid to all farmers who need it.

That is my statement; and I yield to the distinguished Senator from Indiana.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. Well, thank you very much, Mr. Chairman. I would join you in pledging cooperation to obtain action by this committee before we recess at the beginning of August. I think that is very important for the certainty that it gives to agricultural America. And I appreciate your general statement, Mr. Chairman, about the priorities of the committee, the job we have ahead of us. And we pledge, on our side, to try to provide for those quorums in a timely manner, so that we can work ahead.

Mr. Chairman, I want to comment at the beginning of this hearing that I believe our hearing today is about tough choices. We clearly have very serious weather-related disasters in several parts of the country; and our witnesses will tell us about drought, flood-

ing, freezing, other problems that have befallen farmers and ranchers in many States.

The tough choices arise when we try to decide how to respond. When the Office of Management and Budget reestimates Federal farm spending, 1990 spending may be estimated at approximately $500 million less than in January.

If we follow the precedent of last year's Disaster Assistance Act, we could utilize that estimated $500 million for disaster relief payments, and make the plausible argument that we have not increased Federal spending beyond the levels contemplated in the budget resolution.

Legislation recently passed by the House, however, is estimated by USDA to cost between $1 billion and $1.5 billion. Under the terms of that legislation, payments to farmers would have to be prorated downward in order to keep from increasing total spending.

If we passed a bill limited just to Winter wheat, an estimated $400 million in disaster payments could be made in full. But including all crops, as the House bill does, means hundreds of millions more dollars in payments to producers of spring-planted crops. And those crops, too, have suffered damage; from dry weather in some cases; from excessive rain in others.

The really tough choice Congress must ultimately make is how long we continue to run a two-track disaster indemnity program. How long can we fashion ad hoc disaster payment bills and simultaneously run a subsidized crop insurance program?

We would all like farmers to buy crop insurance in sufficient numbers to make the program actuarially sound, and thereby reduce the need for subsidizing premium rates. But that has not happened yet; and it is not likely to happen until we do two things.

First, make the reforms that are needed in crop insurance itself; and second, convince farmers that congressional disaster legislation is not an alternative for future risk management.

I believe any disaster legislation has to be consistent with the budgetary realities of the day. We will not solve the problems of the farmers by triggering a Gramm Rudman sequester. Our legislation should also recognize that for some situations, we know the extent of damage already. And for others, clearly, we do not.

If we do a disaster bill this year, it ought to be the last one. And we ought to tell farmers that, and say it clearly. The current choice before us is clear. At some point, we must either declare crop insurance a failed experiment and replace it with straightforward taxpayer-funded disaster payments each year, or we must make crop insurance work by precluding annual disaster bills.

I believe the latter choice is the right one to make. But the point is that we must choose.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Dick. I think you have also laid out very well that we will have some tough choices. We will have a disaster relief bill; but it will be specific to that. We are not going to have a Christmas tree in a grab bag.

Incidentally, because of the Hastings trial, I have asked both Senator Boren and Senator Conrad to join with Senator Lugar and

whomever he designates to conduct this hearing. I know, Senator Baucus, that you have a hearing that you are chairing right now.

Did you want to say something before you leave?

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. If I could, Mr. Chairman. I apologize to members of the committee. I am chairing the oil spill environmental protection hearing. It begins at 9:30. I would not like to keep the witnesses there waiting.[1]

Mr. Chairman, our State, Montana, probably suffered the worst drought disaster last year, with the possible exception, say, of North Dakota. So we know what it means to suffer drought damage, and therefore, the need for a drought assistance bill.

This year, we are doing a lot better. We have more rain. Winter wheat was knocked out; but our farmers are planting Spring wheat. And I think if things continue, we will do all right.

I must say to the committee, though, that there is another natural disaster which I think this committee should pay attention to; that is, the cherry crop in Montana.

We had an unnaturally warm January. The temperatures were in the 40's and 50's. That is pretty warm for Montana. Cherry trees thought it was spring. Lo and behold, the temperature then dropped, at the end of January, 70 degrees over 24 hours; killed those cherry trees dead.

Cherry tree farmers now have to go back; dig up those trees with backhoes; dig up the entire root structure. Replant those trees. It takes 6 or 7 years for a new crop to come back. A total disaster; 100 percent loss. A natural disaster. Not a drought disaster, but a freeze disaster.

Cherries are not in the farm program. There is no crop insurance. I very much understand the points made by the Senator from Indiana. We have this dual system. It does not make sense. We have to reform crop insurance; make it work, so we do not have to come back to a disaster program time and time again.

The cherries are not in the program. There is no Federal crop insurance for cherries. So I ask the committee, and also make the strong statement to the administration, that it is not an expensive program, but it is a natural disaster program, and we believe it should be included.

We do not want a long Christmas tree bill. That does not make sense. I think the House bill goes way too far. But at least in this case, where there is an absolute, 100 percent natural disaster loss—there is no insurance available—they deserve some relief.

Senator LUGAR. How much money was lost?

Senator BAUCUS. The total estimate for the reimbursement, plus some compensation for replanting, including the SBA disaster loan program, should be several million dollars; about $3, $4 million.

Senator LUGAR. $3 or $4 million?

Senator BAUCUS. Yes.

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[1] Three Recent Oil Spills, S. Hrg. 101-265, Subcommittee on Environmental Protection of the Committee on Environment and Public Works, Senator Baucus, Montana, Chairman.

The CHAIRMAN. I am delighted that Senators Exon and Breaux, and Congressman Browder from Alabama are here this morning.

Did anybody else—Senator Dole—did you or Senator Boschwitz have any opening statement you wish to make?

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. Mr. Chairman, since I may also have to leave early——

The CHAIRMAN. Well, we were counting on you staying. [Laughter.]

Senator BOSCHWITZ. I just returned from touring 28 of our counties in Minnesota; and our situation——

The CHAIRMAN. Your diligence is noted and commended.

Senator BOSCHWITZ. Diligence, yes.

The CHAIRMAN. I could not even tour 20 counties. We only have 14 in Vermont. But if we did, I would certainly do it, and invite you to come and join me on it, Rudy. Go ahead.

Senator BOSCHWITZ. We have 87, regretfully. We visit a lot of county seat towns.

But in any event, our situation is certainly better than it was last year. It is as you said in your opening statement, that there is very, very little reserve. There is no subsoil moisture; we go from rain to rain, from week to week. So we just have to see what is going to happen.

But our situation is certainly better. There is some loss of crops. I suppose there is every year. But by and large, if we get some rain, we are going to be OK.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD [presiding]. I want to thank the chairman for the leadership he has provided on this issue. We very much appreciate, in my part of the country, his concern for all farm crops.

Yesterday, my State was declared a drought disaster area by the Governor. We have seen dramatic deterioration the last 2 weeks. According to the Palmer Index, fully 30 of the 53 counties of my State are now suffering from extreme drought. That means it will take 8 to 9 inches of rain in most of my State in order to come back to normal. We have not received 8 or 9 inches of rain all year in my State; and to expect that in the next several weeks is highly unlikely.

The State university, North Dakota State University, has just completed a survey of the entire State. They have determined that we have suffered $541 million in crop losses already. That loss has already occurred. They have also indicated that in 12 of our 53 counties, we have suffered a loss of from 60 to 80 percent already. And the conditions continue to be unfavorable.

Yesterday, it was 95 degrees in North Dakota. As I say, most of the loss has occurred just in the last 2 weeks. USDA's numbers make no adjustment for what has occurred since July 1. Most of the loss in my State has occurred during that period. Actually, things looked quite good this spring. And we knew we were depend-

ent on a rain every week or every 2 weeks, because there is absolutely no subsoil moisture after the drought of last year.

Then, along came the late days of June and the early days of July when, day after day, we had temperatures of 103, 105, 30 m.p.h. winds, and the crop was absolutely devastated.

For those reasons, we believe the USDA estimates do not reflect the current reality. We believe there will be additional savings on the spring-planted crops, so that any number that is used now does not reflect the number in terms of savings that we will actually experience.

The weather and crop experts in my State believe the August report will give a much clearer indication of what the savings are likely to be on a broader basis. So with that in mind, I want to again thank the chairman for the leadership that he has shown. You have made a significant difference to my State. Frankly, if we would have moved earlier on disaster assistance, North Dakota would have been left out. It is now clear, unfortunately, that North Dakota is in for a 1989 drought, just as we suffered a 1988 drought.

With that, I would go to my colleague, Senator Heflin, for any opening statement he might have.

[The prepared statement of Senator Conrad, the Palmer Index, letters, and prepared statements submitted by Senator Conrad for the record follow:]

PREPARED STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Thank you, Mr. Chairman.

I would first like to express my appreciation to you, Chairman Leahy, for your diligence in ensuring that producers of winter and spring crops will be included in the disaster assistance package passed by this body.

Last year, when the drought of 1988 struck, it was you who marshaled the development of a comprehensive relief bill. Your active involvement and devotion to producers again this year is key to achieving similar results. Thank you for your commitment to the farmers across this country.

At this time, I would also like to submit six statements for the record, including letters from Ewen M. Wilson, Assistant Secretary for Economics, the North Dakota Farmers Union, Commissioner Sarah Vogel of North Dakota's Agriculture Department, the American Agriculture Movement, the American Beekeeping Federation and the National Association of Farmer Elected Committeemen.

As we are all aware, the drought of 1988 has now become the "Drought of 1988 and 1989." Agriculture is again taking a serious beating. Many regions of the country are battling with crop and forage damage equal to or exceeding last year's conditions.

American Winter wheat production is down 8 percent from last year—the lowest in 11 years. Winter winds ripped away more than 14 million acres of topsoil in the Great Plains.

Subsoil moisture levels in the Plains States are well below the 5-year average, despite some rainfall in some areas in recent weeks. As a matter of fact, the latest crop report released in Iowa rated that State's subsoil moisture at 99 percent short. In my State, over 90 percent of the subsoil is short.

The latest Palmer Index releases—which I will pass around to all of you now—indicate that well over 30 of North Dakota's 53 counties have reached the "extreme drought" stage. All others fall within the "severe drought" category. To recover from these bone dry conditions, most counties need 8–10 inches of rainfall as soon as possible. But the sad truth is my State has not received 8–10 inches of rainfall all year—it is unrealistic to expect as much within the next few weeks.

To give us a full report of the conditions in North Dakota, I am very pleased to have with us today Carl Fanning of North Dakota State University. Carl has served as an Extension Service soils specialist at NDSU for a decade. Recently, Carl surveyed the entire State to analyze soil and crop conditions. His results indicate that already over a dozen North Dakota counties have 60–80 percent losses. NDSU fur-

ther estimates we will lose 31 percent of our Spring wheat, 26 percent of our Durum and 25 percent of our barley—and that is if conditions do not deteriorate.

When one puts these dismal projections in context with the financial blows dealt my State's economy by the 1988 drought—the worst in 50 years—the outlook is grim.

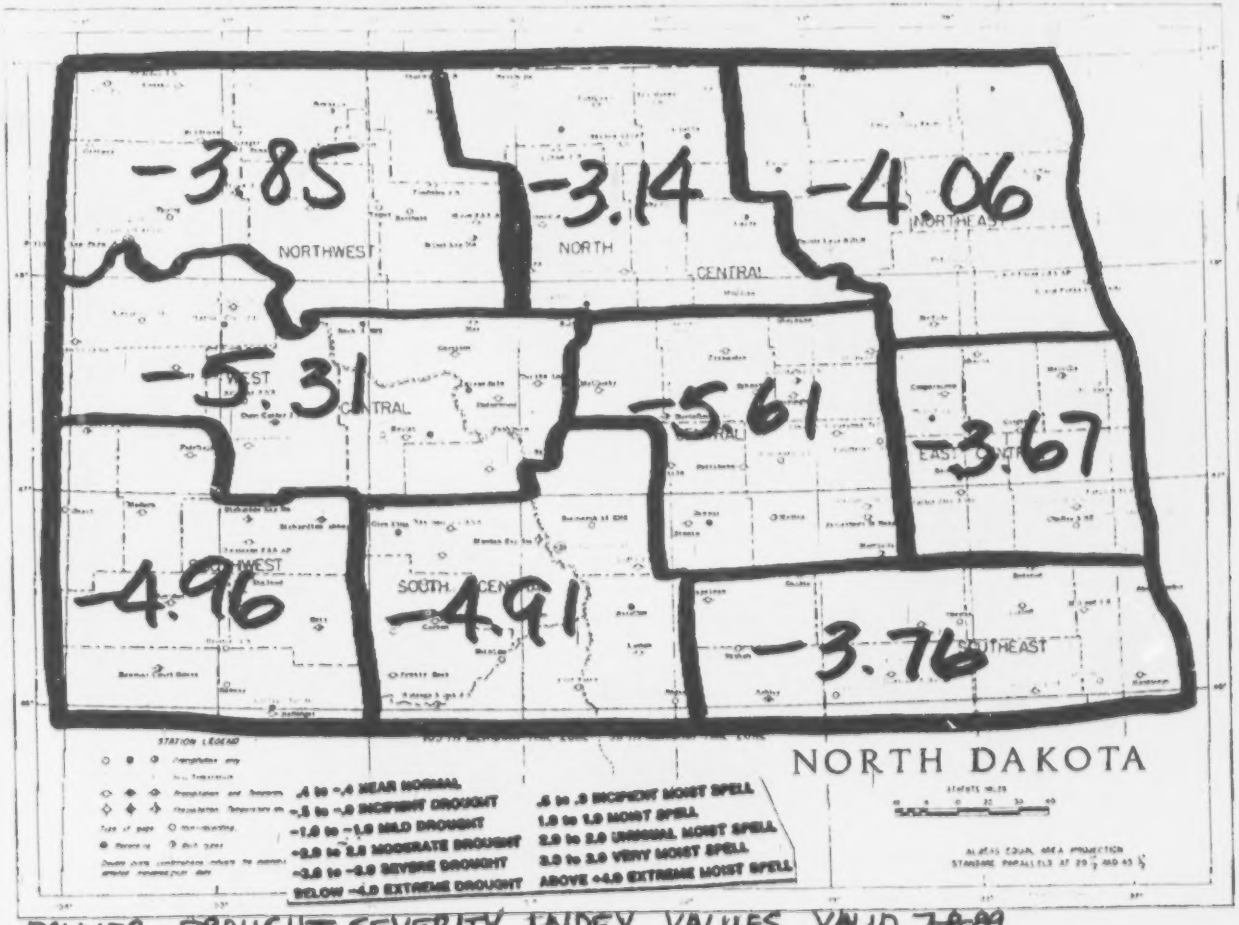
Drought assistance is vital to my State's survival. But I am well aware of other disasters, such as flooding, freezing, tornadoes and hurricanes, threatening vast regions of the country.

The "Disaster Assistance Extension Act of 1989" which I introduced with Senators Daschle, Burdick, Breaux, Bentsen and Pressler on July 11, includes these other perils. Our bill is an extension of the drought relief package this committee crafted last year under the prudent guidance of Chairman Leahy. The "Disaster Assistance Act of 1988" directed $3.9 billion of aid to drought-stricken rural America. There is no question in my mind that this measure was the deciding factor between rural economies surviving or failing last year.

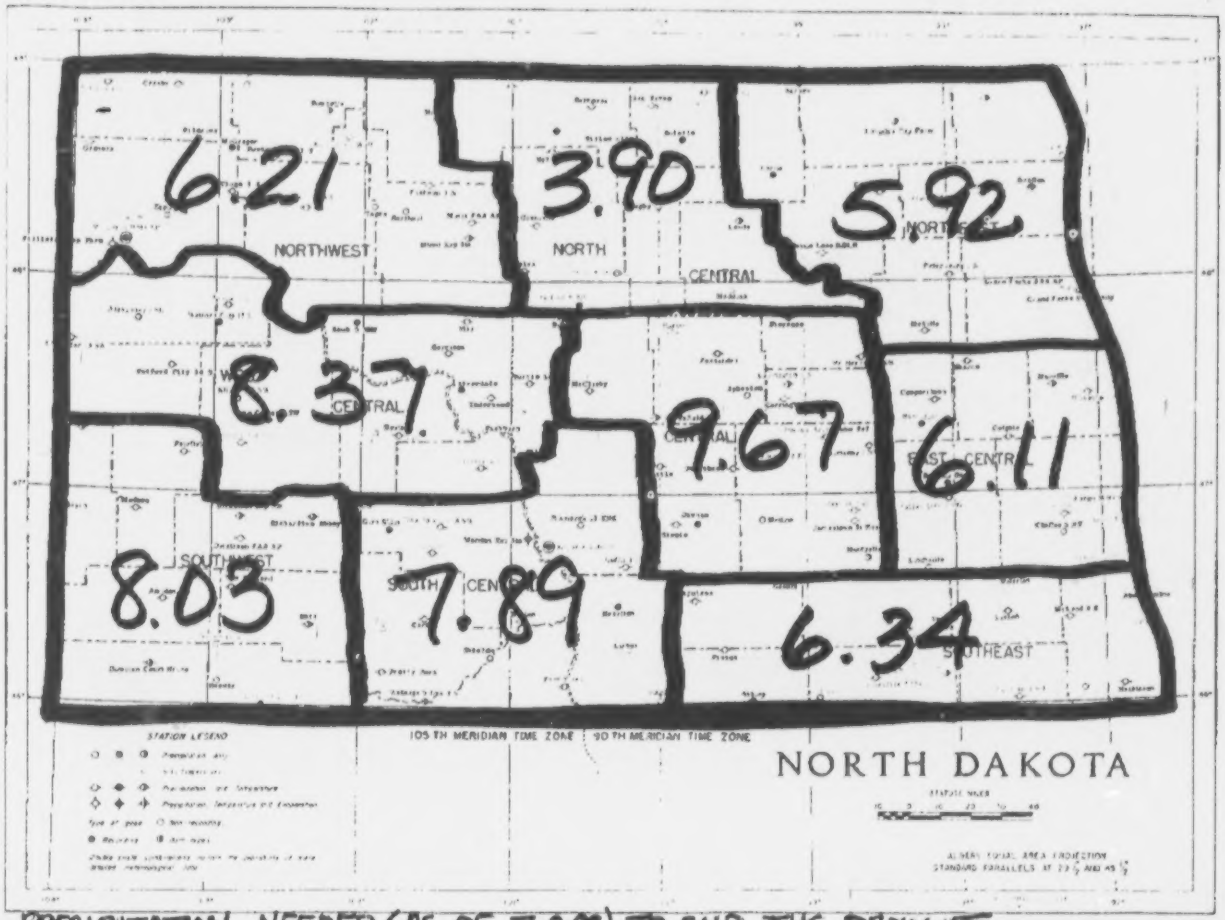
The 1988 package was well-conceived, but it did overlook a few critical needs. Our bill seeks to correct those problems while continuing the core provisions of the 1988 law. For example, it allows the CCC to use crop history data from the Extension Service and other sources. Daily feed allotments for dairy and standard cattle are increased by 5 pounds per head per day. And emergency water assistance grants are provided to rural communities with water supply shortages.

I look forward to working with my colleagues on the 1989 disaster relief package. It is important that we adhere to a team effort just as we did last year. A group approach is vital to the passage of any disaster assistance effort. Again, thank you, Mr. Chairman, for your tremendous efforts in scheduling this drought hearing and in setting the groundwork for a comprehensive disaster strategy. On behalf of all North Dakota producers struggling with the 2-year drought, I express my gratitude to you. And I look forward to hearing the testimony of Carl and the other distinguished witnesses we have with us today.

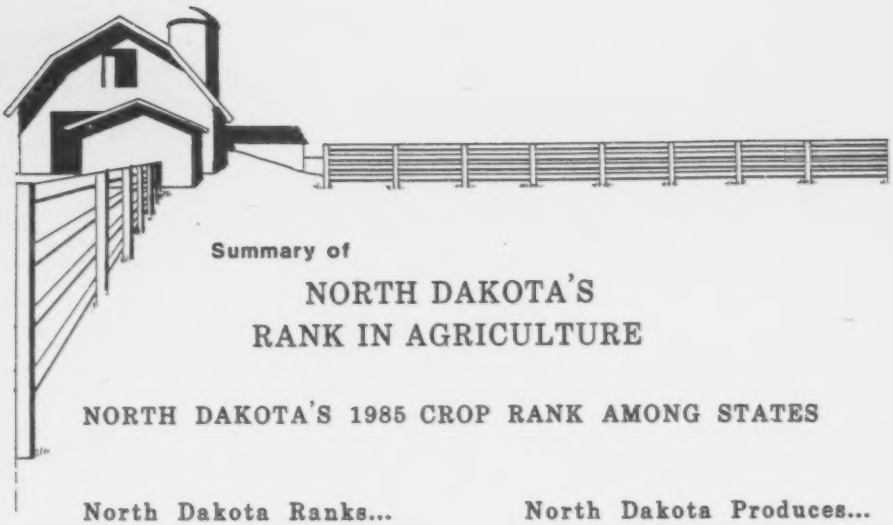
[The prepared material submitted by Senator Conrad follows:]



PALMER DROUGHT SEVERITY INDEX VALUES VALID 7-89



PRECIPITATION NEEDED (AS OF 7-8-89) TO END THE DROUGHT.



Summary of

NORTH DAKOTA'S RANK IN AGRICULTURE

NORTH DAKOTA'S 1985 CROP RANK AMONG STATES

North Dakota Ranks...		North Dakota Produces... (Percent of Nation)
1st in	Durum Wheat	85%
	Other Spring Wheat	44%
	Barley	31%
	Flaxseed	72%
	Sunflower	70%
2nd in	All Wheat	13%
	Pinto Beans	20%
3rd in	Rye	13%
	Dry Edible Beans	14%
	Total Cropland	6%
4th in	Sugarbeets	11%
5th in	Oats	9%
	Area Harvested - Principal Crops	6%
6th in	Potatoes	6%
	Area Planted - Principal Crops	6%

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MAY 0 8 1989

Honorable Kent Conrad
Committee on Agriculture, Nutrition, and
Forestry
United States Senate
Washington, D.C. 20510

Dear Senator Conrad:

In your recent letter, you asked three questions concerning the 1988 drought and the Disaster Assistance Act of 1988 (1988 Act). This letter responds to those questions.

First, you asked for "the savings in net CCC outlays for Fiscal Years 1988, 1989, and 1990 resulting from the drought induced rundown of stocks of food and feed grains and the consequent run-up in prices." The drought is estimated to have reduced Commodity Credit Corporation outlays by $1-$2 billion in FY1988, $8-$9 billion in FY1989, and $0-$1 billion in FY1990. The above savings are partially offset by the cost of drought assistance authorized by the 1988 Act, previously authorized livestock assistance programs, and Federal Crop Insurance indemnity payments. However, it must be remembered that at the time the 1988 Act was passed, concerns about a possible across-the-board sequestration under Gramm-Rudman-Hollings placed limits on the benefits that could be incorporated into the Act.

Second, you asked for "the final (or estimated final) cost of the 1988 Act in Fiscal Years 1988, 1989, and 1990." The Disaster Assistance Act of 1988 is currently estimated to cost about $4 billion, virtually all of which will occur in FY1989. This figure excludes the cost of assistance to livestock producers since they would have been compensated for losses under programs in existence prior to the enactment of the Disaster Assistance Act of 1988. The $4 billion estimate also excludes Federal Crop Insurance Indemnity payments.

As of April 10, 1989, payments under the Disaster Assistance Act of 1988 to crop producers for crop, forage, and forestry losses totalled $2.9 billion. Final payments will be higher since farmers have until May 15 to furnish evidence of production loss on 1988 crops. Livestock assistance totalled $0.3 billion as of April 10, 1989. However, farmers still have time to request feed assistance and receive payments for the 1988 feed year. Crop insurance indemnity payments in excess of premiums for the 1988 crop are estimated in the 1990 budget at $0.2 billion for FY 1988 and $0.9 billion for FY 1989.

Third, you asked for "the savings by commodity from not making deficiency payments and disaster payments on the same loss." This provision of the Disaster Assistance Act of 1988 is estimated to have reduced deficiency payments for all crops by $200-$300 million. Deficiency payments to wheat producers were reduced by $50-$100 million while deficiency payments to corn producers were reduced by about $150-$200 million. This provision did not significantly reduce deficiency payments going to grain sorghum, barley, oats, upland cotton, and rice producers.

Sincerely,

Ewen Wilson

EWEN M. WILSON
Assistant Secretary
for Economics

NORTH DAKOTA Farmers Union
Box 2136 — Jamestown, North Dakota 58402-2136
Phone: 252-2340

July 11, 1989

Senator Kent Conrad
Senate Office Building
Washington, DC 20510

Dear Senator Conrad:

The attached policy statement concerning drought legislation was developed and adopted by the North Dakota Farmers Union Board of Directors at its quarterly meeting.

We would deeply appreciate if you would include the statement as part of the record of the Senate Agriculture Committee's hearing on drought legislation.

Thank you.

Yours truly,

NORTH DAKOTA FARMERS UNION

Alan

Alan Bergman
President

AB:st

Enclosure

Thanks!

STATEMENT OF ALAN BERGMAN, PRESIDENT
NORTH DAKOTA FARMERS UNION

My name is Alan Bergman of Jud, North Dakota. I serve as president of the North Dakota Farmers Union, which is an organization of family farmers with nearly 31,500 members in North Dakota.

The board of directors of the North Dakota Farmers Union, at its July 11-13, 1989 quarterly meeting, reviewed the drought conditions facing our state and the need for drought assistance legislation.

The North Dakota Farmers Union deeply appreciated the responsiveness of the Senate Agriculture Committee and the leadership it provided in the development of legislation to offset the devastating drought which occurred in North Dakota and other states in 1988. Without the assistance provided under that legislation, our state would have suffered untold economic impacts and even greater losses in the number of farm operations within our state.

Despite some problems in livestock feed assistance and other concerns, we believe the 1988 drought assistance legislation was fundamentally fair and equitable. Thus, when we began hearing of drought problems being faced by producers in the Central Plains, we felt it would be entirely appropriate to extend the provisions of the 1988 legislation for another year.

All of the underlying factors that were present last year, in relationship to the need for disaster aid, continue this year. Our rural economy is still very fragile, farm credit problems still plague a significant portion of agricultural producers, rural communities and infrastructures have still not been able to recover from the agricultural recession of recent years, Federal Crop Insurance is not yet a fully viable alternative, etc.

Last year's drought virtually depleted both the topsoil and subsoil moisture across our state. Our crops this year have been totally dependent upon timely rains. Spring rains did provide a relatively good start for our crops in a good portion of the state. However, subsequent rainfall combined with cooler temperatures barely kept pace with the crop requirements in most parts of the state. We knew we were in a precarious situation. In the last few weeks our worst fears came true, record-breaking temperatures and dry weather.

As a result the crops, which had looked so promising earlier this year, deteriorated rapidly. Some parts of our state which did not have the timely rains this spring and early summer are in worse condition than they were last year. The damage sustained through the heat of the past few weeks will not be reversed even with plentiful rainfall. Preliminary estimates of crop losses in small grains and hay are already above the one-half billion dollar mark within our state.

It is imperative that the drought relief legislation which you develop recognizes that the drought problem is not limited to one crop nor is it isolated within one geographic area. It is for this reason that we believe an extension of the 1988 drought legislation with some adjustments would best serve the nation and its producers.

The primary improvement which we believe to be appropriate is the upward adjustment of feed allotments under the emergency

livestock feed programs. Our state's livestock and dairy industry suffered a serious setback with last year's drought. We cannot afford to allow these important sectors to be further endangered this year.

We are deeply distressed that there is already discussion of a potential veto of drought assistance if that legislation extends beyond one class of wheat. Such a narrow perspective would totally ignore the legitimate needs of other wheat producers, as well as feed grains, oilseeds, livestock and other commodities.

We would urge this committee to proceed on the same basis as it did last year. We believe the 1988 legislation should be extended with some improvements and should include all classes of commodities and all commodities. Thank you.

Respectfully submitted,

NORTH DAKOTA FARMERS UNION
BOARD OF DIRECTORS

Alan Bergman

Alan Bergman, President

TESTIMONY BEFORE THE US SENATE AGRICULTURE COMMITTEE
NORTH DAKOTA AGRICULTURE COMMISSIONER SARAH VOGEL
THURSDAY, JULY 13, 1989

Good morning Chairman Leahy and members of the Senate Agriculture Committee. For the record, I am Sarah Vogel, Commissioner of Agriculture for the state of North Dakota. I regret not being present at this hearing, but I had to be away from the state for three days this week to attend the annual meeting of the Midwestern Association of State Departments of Agriculture in Cincinnati, Ohio. It's important that I spend as much time as I can at home now to address the drought from where it is hitting. I do appreciate, however, the opportunity to have my comments placed into the record for this hearing.

The problem you are facing today at this hearing is momentous and I realize the task of addressing the continuing drought may be difficult. But, no matter the difficulty, the problem must be addressed and it must be addressed judiciously, adequately and within the context of understanding the importance to this great nation of stable agricultural economy.

North Dakota is celebrating 100 years of statehood this year. We have been celebrating the 1989 Centennial with typical North Dakota fervor and pride since the onset of the year. One of the main Centennial celebrations in the state occurred during the Fourth of July weekend. The State and several private entities planned and sponsored the Party of the Century in Bismarck, the state capital, and its sister city across the Missouri River, Mandan. State employees were given Monday, July 3 off as a holiday, in order that we, too, could join in celebrating our 100th birthday. On Friday, June 30, state employees left the Capitol Building after work, anticipating the joy of the coming celebration as colorful tents, vendor stands, band stands and bleachers were being set up on the Capitol Grounds.

As we left the building, we could look to the gently rolling hills surrounding Bismarck and see varying shades of green. Though we knew many pastures were dry, on June 30, we still had hope for relatively good crops this Centennial year. The atmosphere was up-beat, optimistic and laced with anticipation.

In no time at all, our bubble was burst. Scorching heat and moisture-depleting winds hit most of North Dakota with a vengeance comparable to a devastating North Dakota blizzard. What little moisture we had was quickly sucked dry. Over the July 4th Weekend, temperatures soared into the 100s. Dry winds rolled across our crop and pasture land and through our towns and cities. Crop and pasture

conditions deteriorated in virtually a matter of days. You could almost hear the plants and grasses withering.

When we returned to work following the Party of the Century, the usually pristine Capitol Grounds were strewn with empty soda containers, sno-cone cups and hotdog wrappers. The clean-up crews were being hampered by high winds and extreme temperatures. We looked to the hills only to see a monotonous shade of yellow-brown. We knew the hills were also strewn with dead grasses and crop stands with nothing but empty hulls and shriveled stems.

Temperatures have remained extremely high since the beginning of this month. We have had no relief. Significant rains have not fallen. None has been forecasted. We do not have the subsoil moisture to withstand these conditions. I am convinced that several other agricultural states -- the American foodbasket -- do not have the subsoil moisture needed to withstand this summer either. They could face the same situation as we are in simply a matter of days.

Many people, especially urban Americans, are under the impression that the Drought of 1988 did not carry over into 1989. In reality, nothing could be further from the truth.

Testimony presented to this committee today by North Dakota State University Soil Specialist Carl Fanning provides a clear picture of the situation. I would like to enhance that picture with the following information.

According to the North Dakota Agricultural Statistics Service (see Attachment A), the percentage of land with very short subsoil moisture jumped from 18 percent to 56 percent during the week ending July 9. In that same period land classified as having very short topsoil moisture leapt from 13 percent to 44 percent. Similarly, land with adequate topsoil moisture went from 51 percent in the last week of June and the first few days of July to 10 percent during the week ending July 9. Nowhere in the state is any land classified as having surplus topsoil or subsoil moisture.

Further, let me point out that the percentage of land whose subsoil moisture is classified as very short is higher so far this year than during the 1988 drought. For example, at this time last year topsoil moisture was listed as very short in 37 percent of the state. This last week, 44 percent of the state had very short topsoil moisture. Regarding subsoil moisture, last year 49 percent of the state's land was very short in subsoil moisture. As of last week, that percentage was 56 percent.

As you can plainly see, conditions have not improved for farmers and ranchers in North Dakota. Far from it.

Drought means decreased crop yields, decreased feed supplies which lead to unmanageably high feed prices, and an increase in forced livestock liquidations. As presented by Mr. Carl Fanning, yields have been reduced by up to 80

percent in North Dakota as of July 6. I am sure that number is substantially higher this week and will continue to climb without the miracle of several inches of rain statewide. The economic impact of these losses is already estimated to exceed $540 million to farmers alone.

As of mid-June, the price of alfalfa for feed was nearly $100 a ton -- double the price of a "normal" year. As crop and pasture conditions deteriorate, we can only expect alfalfa and hay prices to reach well past the $125-a-ton mark. Most livestock producers cannot afford that price and feed assistance programs do not offer enough support to maintain their herds. As a result, they are being forced to liquidate their herds. In the very short run, liquidation brings income to a producer. But keep in mind, liquidation brings the elimination of future income. The income source is gone. So far this year, the number of cattle in North Dakota has decreased by 11 percent from last year. Again, I ask you to keep in mind that at this time last year, the number of cattle was drastically reduced from the previous year because of forced liquidations. So far this year, the state has lost 88 dairy farms. In other words, we have lost approximately 5 percent of our dairy farms in the first six months of 1989. This does not paint of rosy picture of things to come.

Further, since last July, 15 farm implement dealers have closed their doors. Each lost implement dealer means lost jobs and revenue on Main Street in small and large towns alike across the state. It also means farmers have to travel farther to purchase equipment, which increases their costs.

These facts represent a crisis that extends far beyond this year's crops, feed prices and livestock liquidations. We are dealing with the very economy of the state, not to mention the future of family farmers and ranchers in North Dakota and other states.

In North Dakota, the average gross receipts multiplier for every agricultural dollar is 3:1. So, if we take the economic loss of $540 million in small grains as of July 6 and apply the gross receipts multiplier, we can project an income loss to the state of over $1.6 billion. That number represents only losses in small grains as of July 6 and does not include further yield losses to those crops, losses to row crops and losses in the livestock industry. Further, we are only half way through the summer.

The Federal Crop Insurance Program has not yet been improved and thus does not cover these losses adequately. Most Federal Crop Insurance payments do not cover the costs of production, let alone lost income. Furthermore, this income loss arrives on the heels of a federal mandate to repay over $80 million in 1988 advance deficiency payments this year. Though the repayment deadline has been delayed,

I am deeply concerned that the combination of these financial strains will cripple agricultural producers. We are simply asking too much of the economy.

As I mentioned earlier, I spent the first three days of this week at the annual Midwestern Association of State Departments of Agriculture meeting. While there, I discussed producers' needs in light of the drought with high-ranking officials from Ohio, Indiana, Iowa, Michigan, Minnesota, South Dakota and Wisconsin. Everyone with whom I spoke agreed that Congressional drought relief should be inclusive as opposed to only covering crops such as winter wheat. Furthermore, these officials agreed to contact their Congressional Delegations directly or through their Governors in support of an inclusive drought bill as opposed to a narrow winter wheat bill. The people out there "in the fields" know the needs. They know which means will best address those needs. The means is an inclusive drought assistance package.

Beyond the inclusiveness of Senator Conrad's bill, there are several other worthy attributes. For instance, North Dakotans fully support an increase in the daily feed allotment per animal under the feed assistance program. Currently levels are nothing less than starvation rations. Further, several North Dakota livestock producers have pointed out to me the need for USDA to provide differing daily allotments for differing needs. Raising cattle in the South is much different than raising cattle in North Dakota. In North Dakota, it takes more feed during the winter to maintain a herd. Differentials such as this should be addressed in the programs.

North Dakota also supports the requirements for assistance to organic crop growers and honey producers under Senator Conrad's bill. These groups are perhaps even more adversely affected by droughts because they do not have as strong of "safety nets" provided to other crops by Federal Crop Insurance or the federal farm program. In addition, the efforts both groups put into producing their commodities actually benefit the environment, and at least in the case of honey production, actually assist the growth of other crops through pollination.

Much of the opposition voiced against agricultural spending in general and disaster benefits in specific is based upon the perception that these federal programs are too expensive. Unfortunately, that misconception is fed by many members of the media and some high-ranking federal officials. In truth, such is not the case. Representative Kika de la Garza provided the House of Representatives last spring with information regarding agricultural spending by the federal government that I would like to share with you today.

In 1988 USDA's entire budget represented only 4.3 percent of the federal budget as a whole. By USDA's entire budget, I mean the food and nutrition service, rural development conservation & forest Service as well as farm price supports. The costs of farm subsidies in 1988 represented only 1.15 percent of the federal budget, including disaster assistance payments. I find it literally incredible that even USDA Secretary Yeutter has been quoted as saying the programs are too expensive. He, of all people, should know better. Kika de la Garza knows better. Farmers and ranchers know better. We know better.

I realize that it is your fiduciary duty to consider the costs to the federal government of proposed drought legislation. I also believe it is your fiduciary duty to consider the costs of not providing drought relief this year.

We North Dakotans have not lost our Centennial spirit. No matter the hardships, we are proud of ourselves and our state. We face the fight for our survival steadfastly and hope that you will join us and other agricultural states in the fight for survival this year. Thank you.

ATTACHMENT A

SOIL MOISTURE: North Dakota, July 9, 1989

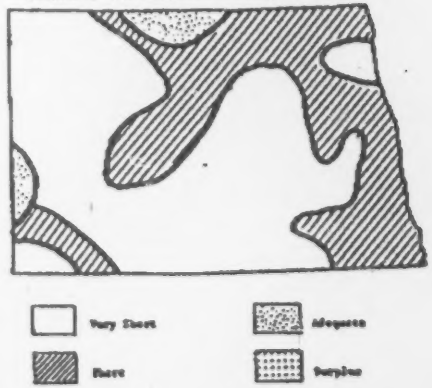
Date	V.Short	Short	Adq.	Surplus
		(Percent)		
TOPSOIL				
This Week	46	46	10	0
Last Week	13	36	51	0
Last Year	37	44	19	0
84-88 Avg.	13	38	48	1
SUBSOIL				
This Week	56	34	10	0
Last Week	18	70	12	0
Last Year	49	45	6	0
84-88 Avg.	14	28	57	1

TOPSOIL MOISTURE: July 9, 1989

TEMP/PRECIP: Districts and Stations, North Dakota, Week Ending 7/8/89

District Averages	Temperature: Past Week	Temperature: Depart Normal	Precipitation Season 1/: Past Week	Precipitation Season 1/: Total	Precipitation Season 1/: Depart/ Normal
	(Degrees F)		(Inches)		
N. West (1)	76	9	0.06	5.33	-2.29
N. Cent.(2)	75	8	0.22	6.33	-2.45
N. East (3)	74	8	0.18	6.55	-0.90
W. Cent.(4)	76	9	0.03	6.14	-2.28
Central (5)	77	9	0.15	5.60	-2.76
E. Cent.(6)	77	8	0.18	5.58	-2.77
S. West (7)	77	9	0.06	6.33	-1.66
S. Cent.(8)	80	11	0.01	5.57	-2.35
S. East (9)	80	10	0.70	7.28	-1.09

SUBSOIL MOISTURE: July 9, 1989



American Agriculture Movement, Inc.
100 Maryland Ave., N.E., Suite 500A, Box 69, Washington, D.C. 20002
(202) 544-5750

America Needs Parity!

July 11, 1989

The Honorable Kent Conrad
United States Senate

Dear Senator Conrad;

I would like to take this time to thank you for introducing "The Disaster Assistance Extension Act of 1989". This legislation is vital to the health of family farmers and rural America as a whole. With depressed commodity prices over the last decade, farmers have not been able to make a living, let alone had the resources to save for the kind of disaster we are now experiencing.

We here at AAM would like to offer to you our full support, because with the introduction of this legislation you have offered the American family farmer your support.

We stand ready to help you in any way.

Sincerely

David Senter

David Senter
National Director

The American Beekeeping Federation, Inc.

OFFICE OF THE SECRETARY
TROY H. FORE, JR.
P. O. Box 1038 --- Jesup, Georgia 31545-1038 --- Ph. 912-427-8447

July 12, 1989

The Honorable Kent Conrad
United State Senate
Attn: Lisa Novacek
Washington, DC 20510-3403

Dear Ms. Novacek:

I have pulled together what facts and estimates I could on the losses of honey producers due to drought. I put the information in the form of a formal statement. You may have it entered into the record or you may extract information from it to use otherwise, as you see fit.

The estimates can change for the better should the upper midwest get widespread rainfall soon. However, that doesn't seem likely, and even if this did come, the crops would be moderate at best. Most areas are too far gone for any appreciable help from the weather this year.

The beekeeping industry suffers from a lack of good statistics generally, which hampers any effort such as this. However, an individual producer, through his ACSC price support reports, could document his own crops for the requisite 5 years.

The Federation is represented in Washington by Meyers and White. Please call Keith White or Larry Meyers (484-2773) for whatever assistance you feel they could be. Also, in town today and tomorrow is Binford Weaver, a beekeeper from Navasota, Texas. He is a past president of the Federation and a member of our legislative committee. He can be reached through Meyers and White or at the Quality Inn Capitol Hill.

If I can be of further assistance, do not hesitate to call me. If I can't be reached at 912-427-8447, please try 912-427-4018.

Sincerely,

Troy H. Fore

Troy H. Fore, Jr.
Secretary-Treasurer

c- Bob Redding/Sen. Wyche Fowler
Keith White

STATEMENT OF

TROY H. FORE, JR.
Secretary-Treasurer
AMERICAN BEEKEEPING FEDERATION, INC.
P.O. Box 1038 - - Jesup, GA 31545

TO THE
UNITED STATES SENATE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

JULY 13, 1989

RE: DROUGHT RELIEF LEGISLATION AND BEEKEEPERS

I thank you for this opportunity to present a statement on behalf of the American Beekeeping Federation in support of the inclusion of beekeepers in the drought relief legislation.

Our association includes about 2,000 members located in every state of the Union. These members are involved in all aspects of beekeeping, including honey production, pollination, and production of queens and package bees. We have every size beekeeping operation represented -- from the one-colony hobbyists to the multi-thousand-colony migratory beekeepers.

In 1988, drought conditions accounted for severe losses in major honey production areas of the United States, but those losses were spotty. Reports reaching our office from our membership indicate that the continuing drought conditions will result in more generalized losses for the 1989 honey crop, affecting far more honey producers.

The following reports and estimates of honey production and losses attributed to adverse weather conditions are based on statistics gathered by the U.S. Department of Agriculture and on reports made to the Federation office by members.

Nationwide, the 1988 honey crop was down just 6.6 percent from 1987, within the range of normal seasonal variations. Some states saw their production drop drastically, however. Three major states reported "half crops" in 1988: Montana, down 48 percent from 1987; North Dakota, down 52.4 percent; South Dakota, down 45.9 percent. These states alone accounted for production losses of $21.71 million.

In specific areas of other states, dry weather reduced production of individual beekeepers, even though their state reported a good crop. In Minnesota for example, the state average crop was higher in 1988, but some beekeepers reported severe losses.

In 1989, early reports give the reverse of 1988 production estimates. In California and Florida, where the honey crops are made early in the year, production is reported to be the lowest in several years. One Florida producer says his crop is the worst ever -- in 37 years of honey production. These two states reported honey production valued at $27.19 million in 1988. Estimates for 1989 are as low as $12 million, for a loss of $15 million in those two states alone.

In another early-crop state, Georgia, producers have also suffered severe losses. One commercial producer reports production of 27 pounds per colony; normal production would have been about 100 pounds.

It is a bit too early in the season to make estimates for 1989 honey production in many states. In the midwest, particularly, immediate rains could salvage the year for honey producers. However, even with immediate rainfall, most honey producers would record lower than normal crops. Some are saying the drought is so severe that it is too late for rain to help this year.

It seems likely that U.S. honey production will be down at least 10 percent this year from 1988 and there is a good chance that it will be even lower, perhaps as much as 20 percent off. Therefore, we are looking at losses of $10 million to $20 million, nationwide.

I must stress that honey production can vary greatly within the confines of a state, particularly a large state that has varied climatic regions. As a result an individual honey producer can sustain a severe loss to dry weather while his neighbors 100 miles away can receive good rainfall at the opportune time and an excellent crop.

The American Beekeeping Federation encourages approval of legislation that will provide relief to American beekeepers who are suffering crop losses due to drought and other adverse weather conditions.

n.a.f.e.c.

National Association of Farmer Elected Committeemen

P.O. Box 130 - Glendova, Mississippi 38928

July 10th, 1989

Senator Kent Conrad, Democrat
Representing the State of North Dakota
361 Dirksen Building / Tel: 202-224-2043
Washington, D.C. 20510

SENATE COMMITTEE FOR AGRICULTURE, NUTRITION, AND FORESTRY

Dear Senator:

Please be advised that we represent **33,000 farmer-elected committeemen** who represent another 2.4 million voting farmers who have asked us to come to Washington, D.C. to see you about the following matters:

An extremely large number of our nation's farmers find themselves facing the following serious conditions:

1. The continuing effects of the drought and adverse weather conditions due to flooding, dry weather and other natural disasters.

2. These farmers have spent much of their own funds and advance deficiency payments for crop production expenses.

3. They are now borrowing against anticipated crop receipts and further deficiency payments with little expectation of receiving much from either.

THEREFORE, the National Association of Farmer Elected Committeemen, who are also farmers themselves, make the following recommendations to Congress and the Department of Agriculture:

A. The maximum allowable payments be paid to farmers for all program crops in those counties which are declared disaster counties.

B. Any other assistance possible be given not only to farm program participants but also to those farmers involved in livestock and other crops as well.

We deeply appreciate the time you are taking to review these recommendations and hope you will act constructively and decisively to support the farm sector of our economy.

We have made a special trip to Washington, D.C. because we still believe in our democratic system for getting your attention about matters which concern us before you vote for or against them. As a result of our effort to persuade you to consider our plea for helping the farmer, we are asking you to reply to our headquarters at the address above, in writing, as to your response to the matters we have brought before you this day.

Thanking you in advance for your representation..... we are,

Committeeman _____ State of Kansas

Committeeman _____ State of Iowa

Committeeman _____ State of Texas

Committeeman _____ State of NE

Committeeman _____ State of NE

Committeeman [illegible] State of Ohio

Committeeman Frank McClure State of Massachusetts

Committeeman Dean Harberg State of Nebraska

Committeeman [illegible] State of [illegible]

Committeeman Ralph Sides State of Texas

Committeeman [illegible] State of Maine

Committeeman Ed A Bowman State of Illinois

Respectfully yours,

Bobby Miller

Bobby Miller, President NAFEC

Ralph Hand Sr.

Ralph Hand, Sr., Secretary/Treasurer NAFEC

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Well, I sympathize with everybody that had a loss. Crop loss can occur for many different reasons. Obviously, in a great number of States, crop loss is occurring as a result of lack of moisture.

On the other hand, crop loss can occur from excessive moisture. In the South we are now suffering from excessive moisture. When you have excessive moisture, you have many other problems that occur: insect infestation; seedling diseases; ineffective treatment. All of these can occur.

Already, the futures market is indicating that the price of cotton will go up. As a result of the price of cotton going up, then it cuts down on the deficiency payments, and provides funds.

Now, why is the futures market pertaining to cotton going up? It is a combination of drought and excessive moisture; and the prediction is that there is going to be a short cotton crop. As a result of it, there are savings, and those savings can be used toward drought relief.

I think we have to look at loss, not only from drought, but from excessive moisture in various locations—and it varies. I toured my State; and I saw a lot of crops that were terrible as a result of excessive moisture.

I think we ought to look at this issue of crop insurance. I think something has to be done about crop insurance. The premiums are just far too high, and the benefits are far too low. In my judgment, the operation of the crop insurance program thus far has been a disaster.

So I think that this thing needs to be looked at. We have to do something about the people affected by the drought. I sympathize with them. I think we have to come to their assistance. But at the same time, you do not want to create a situation in which there are many, many evils, and force farmers into a situation where they have to constantly confront with the evils, such as drought and flooding.

And to me, if we are going to say this is the last year, then we better do something about the crop insurance program. Because as it is right now, it will put farmers out of business, because the margin just is not there to have to pay the excessive premiums that the crop insurance program is requiring.

And so, I think you have some overall problems that need to be looked at if we attempt to attach to the drought assistance bill certain requirements pertaining to mandatory crop insurance for the future.

Senator CONRAD. Senator Daschle.

STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Well, thank you, Mr. Chairman. I would certainly reiterate and associate myself with the remarks of Senator Heflin.

I think that crop insurance is going to play an increasingly important role. We are not ready to play that role with the current program. We are going to have to look at it sometime this year.

As for South Dakota, it is much the same as you have described it in North Dakota; hundreds of millions of dollars worth of damage. We are shipping cattle out virtually every single day.

A farmer told me just last week that the last time they had an inch of rain was July 3, 1987; and that probably says it all. We have a comprehensive problem that is going to take a comprehensive approach. I hope we can deal with this issue comprehensively and quickly, and in a bipartisan way.

The loss is severe. The need is great. And the time is short.

Senator CONRAD. Senator Exon is scheduled to be our first witness. And without further delay, why don't we proceed with the witnesses?

Senator Dole, I think he had indicated he would like to wait until his Governor's testimony, to make his opening statement. So why don't we proceed with Senator Exon. Also, at this point in the record, we will insert Senator Gorton's prepared statement.

[The prepared statement of Senator Slade Gorton follows:]

PREPARED STATEMENT OF HON. SLADE GORTON, A U.S. SENATOR FROM WASHINGTON

Mr. Chairman, I want to join the other members of the committee in expressing my appreciation to you for holding this important hearing to review the drought and other weather conditions affecting the Nations' crops. We have already heard a great deal about the damage done to a variety of crops across the country due to drought, flooding and other natural events. I expect to hear more today. However, I would like to take a moment to describe the problems we face in Washington State.

In my State, 23 counties have applied for Federal disaster assistance due to the severe arctic cold and near gale force winds that gripped the State during the first week of February. We have heard from the distinguished Senators from Kansas and Oklahoma about the damage done to the Winter wheat crop in their home State, for which I'm sympathetic. The Washington Winter wheat crop is also expected to be significantly reduced.

Washington State is, by tradition, a Winter wheat producing State. Last year, our wheat farmers produced 125 million bushels on 2 million acres. This year, over half of the Winter wheat acreage in my State was damaged by the highly unusual below zero temperatures and especially severe strong north winds that occurred in early February. As a result, the Winter wheat crop is expected to be almost 40 percent below the 1988 production.

I should point out that a large percentage of my State's wheat growers participate in the Federal crop insurance program, but insurance will cover only about one-half the income a grower can anticipate in a normal crop-year. When compared with the special assistance provided to farmers under the 1988 relief act, normal crop insurance benefits simply do not stack up.

I applaud the efforts of Senator Dole to extend the disaster assistance provided to producers affected by last summer's drought to crops, like Winter wheat, planted in 1988 and harvested in 1989. In fact, I am one of a number of cosponsors to the Disaster Assistance Act of 1989 introduced by the distinguished Minority Leader. It is my belief that Winter wheat producers, having suffered a measurable loss, should be extended the same relief provided to last years' beneficiaries.

Winter wheat, while perhaps the hardest hit, was not the only crop in my State devastated by the February cold spell. A number of counties across my State also reported damage to alfalfa, apples, apricots, barley, berries, bulbs and cut flowers, cabbage, cauliflower, forest seedlings, hay, onions, peaches and pears. I am interested in providing the producers of these crops with assistance—assistance that could make the critical difference in their ability to keep the farm.

Mr. Chairman, I fully recognize the fiscal constraints facing this committee in the development of a compassionate and comprehensive disaster assistance bill. I pledge to work with you and Senator Lugar on its development and again, wish to thank you for holding this important hearing.

STATEMENT OF HON. J. JAMES EXON, A U.S. SENATOR FROM NEBRASKA

Senator EXON. Mr. Chairman, thank you very much. I first want to say I am pleased to be here before you today and appreciate your invitation. I have been listening with great interest to the stories by the members of the committee of what is happening in their States.

It is very clear to me that the drought in many areas of the country, the drought of 1988 has become the drought of 1989; just the reverse is true in other States, where they have had too much moisture. It is certainly reassuring to we Nebraskans to see that this committee is gearing up for action. I appreciate it very much.

The Chairman's statement at the beginning, I think he is right on target. And I thank you, the committee, for your prompt action that is promised in this particular area.

Several weeks ago I introduced a version of drought disaster legislation which focused on Winter wheat because it was clear early on that Nebraska's Winter wheat crop was headed for big trouble. And we have, by the latest estimates, confirmed that production will be down at least 26 percent from normal in Nebraska. And certain areas of Nebraska, once again, which is typical across the Nation, were hit harder than others. We were especially hard-hit in the southern counties immediately adjacent to Kansas. And I know they are in very similar straits with the Winter wheat crop. Other commodities have been subject to the vagaries of Mother Nature. Hail has added to drought problems facing Nebraska farmers; and indeed, an untimely frost caused some problems also. So Mother Nature has not been as good to us as we had hoped for this year. Good pasture land in Nebraska cattle country is hard, if not impossible, to come by. And from talking to my colleagues from across the country, I know weather-related problems are not limited to the Plains States.

To some, I suppose the handiest response to all of this is "they should have bought crop insurance." Indeed, I wish Federal crop insurance was a more workable safety net. Unfortunately, that safety net has gaping holes for farmers and it does not even begin to address the problems facing ranchers.

I know the Federal Crop Insurance Commission will soon be sending Congress recommendations for improving the system. But until those recommendations are up and running, we have to do something else. And that is why I think it is so essential that we move forward with a drought bill. I hope we can get one out of committee, to the floor of the U.S. Senate before the August recess. I know that is an ambitious timeframe; but Mr. Chairman and members of the committee, I stand ready to do whatever I can to help you in that effort.

Another topic that I want to specifically address are the problems facing cattlemen. Ranchers in Nebraska usually do not ask for much in the way of Federal help. And that is true of ranchers across this great Nation. But this drought has struck hard in cattle country. I think it is essential to include something meaningful for cattlemen who are paying extremely high prices for hay and who

are forced to truck their livestock long distances just to hang on to their foundation herds.

And I noted with interest the statement that was just made by Senator Daschle, about some herds have already been sent to market; and we are not going to be able to replace that.

Before I close today I have another point that I would like to make. Even though this year's drought is a continuation of last year's, there is one big difference. It has nothing to do with weather or subsoil moisture. It has to do with the good old American game of politics.

Last year was an election year; and candidates were criss-crossing the country doing all they could to curry favor among American food producers—farmers and ranchers.

My point in bringing this up is just to say that farmers and ranchers hit with disasters this year should not get the short end of the stick. We cannot tell them their timing was off just because they did not get "hit" in an election year. Action before we leave here in August is absolutely essential. The Winter wheat situation is now known. We have established what the losses are. That is why I introduced a bill earlier to address this. I think that we should recognize once and for all that the Winter wheat was a continuation of the 1988 drought, and we should have legislation to at least include the Winter wheat as a separate part, if you will, of any bill that we frame at this time.

We just had a report yesterday in Nebraska that two-thirds of our counties in Nebraska are adversely affected because of the drought. Interestingly enough, we have never had a situation in Nebraska where it was so spotted and "chicken poxed," if you will.

Some counties have a total drought situation in the western part of the county, and adequate moisture in the eastern part of the county. Therein lies some of the problems that we have with some of our rules and regulations today to qualifying a county on some kind of a percentage basis. And I hope that we could take that into consideration.

We expect, as a result of this, that our Governor is very likely to declare a disaster very soon, as North Dakota has already done and following on what you, Senator Baucus, have indicated has happened in your State of Montana.

Budget-wise, I would hope, and I would think that the committee should ask officially, if you have not done so already, the Department of Agriculture to give us a firm estimate on what they think now would be the savings as a result of the rising prices.

The Senator from Alabama mentioned cotton. Generally, there has been a rise in prices in the commodity, which I think Senator Dole and others in their bills have indicated, should be a budget hold, if you will, where we will not have to appropriate a great deal additional money for this purpose. So if we had an amount that we could refer to with some degree of confidence, then I think that would help us a great deal.

Again, I appreciate the offer to come before the committee. I look forward to working with you to pass a workable, helpful, drought bill.

Thank you, Mr. Chairman.

Senator CONRAD. Thank you, Senator Exon.

Senator Breaux.

STATEMENT OF HON. JOHN B. BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator BREAUX. Thank you very much, Mr. Chairman. I am delighted to be back at the committee. I guess I am sorry I left. Louisiana has been inundated with floods and hurricanes ever since I left the committee. I should have stayed. [Laughter.]

After listening to the testimony of some of our colleagues, I am convinced that we do not really have a drought problem, nor do we have a flood problem. But we have a hell of an allocation problem, in the sense that some parts of my State have received 59 to 60 inches of rain since January. And my friends in the Midwest and the Plains have received very little moisture at all. So it really, truly is an allocation problem; but we really cannot do very much about that, because we cannot control the weather.

You know, when they talk about some of the terms in some of these bills, I am really struck by the phrases that the technocrats use in terms of excessive moisture. And we have had enough excessive moisture that you could float Noah's ark. It is a lot more than moisture.

We have fields that are flooded so much that the farmers cannot even find the fields in order to determine how bad the damage has been. In a State that already has a statewide unemployment figure of over 10 percent, with some parishes exceeding 25 percent unemployment, this latest round of flooding could not have come at a worse possible time.

We have extensive damage throughout the State. President Bush has classified something like 26 parishes as disaster areas, major disaster areas. That was as a result of the May flooding.

Then we had June come around, and tropical storm Allison hit. And some of the parishes, as I have indicated, have approached rainfall of 59 to 60 inches—north-central Louisiana, 59.3 inches; central Louisiana, 58.5 inches; west central Louisiana, 59.29 inches of rain—and it is consistent throughout most of the State.

The damage assessments by the Agricultural Stabilization and Conservation Service, the ASCS, show 2,172,072 commodity acres lost or damaged.

As much as 60 percent of the soybean crop—1.2 million acres—has been affected: 30 percent of the crop has rotted because of so much water and another 30 percent because farmers have been unable to plant. So that is 60 percent. 1.2 million acres is gone.

With regard to cotton, it is 263,721 acres. With rice, 334,703 acres. Wheat, 73,875 acres, 35,000 acres of sugarcane and 179,100 acres of pastureland have all been similarly affected.

The losses that LSU's extension service, from a dollar standpoint, places on these damages show that soybeans have lost approximately $105 million; cotton loss is estimated at $52.2 million, and rice lost is estimated at $35.3 million.

Mr. Chairman, let me emphasize that much of Louisiana is still underwater. So the problem is incredibly severe. I think the approach in your legislation is appropriate.

We are talking about farmers' loss. But indeed, we are talking really much more than that, because when the farmers lose, consumers lose. And when everybody loses, our country loses. So I think that it is absolutely essential for this committee and for this Congress to survey the extent of the damage, decide what crops have been affected and have received damage, and whether it is severe enough to justify some kind of assistance, and detail a legislation to do that.

I would urge the committee to look at the crop insurance legislation. The House has included it in their bill. It is not working as it was intended. It needs attention. It needs attention quickly. I agree, we cannot do disaster bills every year; and I would like to see Congress move to the consideration of crop insurance in the near future.

I would file for the record, Mr. Chairman, the latest estimates from the Louisiana ASCS office, which covers the whole State and covers all of the commodities, and the estimate of the damage that they have received.

I would urge the committee to move very swiftly and very quickly. America simply cannot wait any longer.

Thank you, Mr. Chairman.

[The prepared statement of Senator Breaux and the Louisiana Agricultural Stabilization and Conservation Service (ASCS) estimates, "Excessive Rain Received" May–July 1989 follow:]

PREPARED STATEMENT OF HON. JOHN B. BREAUX, A U.S. SENATOR FROM LOUISIANA

Thank you, Mr. Chairman and members of the committee, for the opportunity to testify today. I am here to urge the committee to authorize disaster payments to eligible farmers who have suffered crop losses or were prevented from planting crops due to excessive rainfall, flooding and hail this year.

On May 20, President Bush determined that damages in 26 parishes throughout Louisiana resulting from severe thunderstorms and flooding on May 5, 1989, were severe enough to warrant a major disaster declaration.

During the last week of June, the State of Louisiana was again inundated with severe rains and flooding from tropical storm Allison. Rain accumulations in some areas of the State have exceeded 36 inches since the first of May. The June rains have prevented farmers from replanting crops to replace those lost during the May flooding.

Torrential rainfall has devastated agriculture in 43 of the State's 64 parishes. Virtually all of the State's farmers have been affected to some degree, with soybeans, cotton and rice suffering the worst damage.

Early assessments provided by the Louisiana Agricultural Stabilization and Conservation Service (ASCS) show 2,172,072 commodity acres lost or damaged.

As much as 60 percent of Louisiana's soybean crop—1,230,150 acres—has been affected: 30 percent of the crop has rotted because of so much water and another 30 percent because farmers have been prevented from planting.

263,721 acres of cotton, 334,703 acres of rice, 73,875 acres of wheat, 35,000 acres of surgarcane and 179,100 acres of pastureland have all been similarly affected.

Preliminary estimates by the Louisiana State University Cooperative Extension Service have put a dollar value on losses, damages and yield reductions for soybeans at more than $105 million, for cotton at $52.2 million and for rice at $35.3 million.

Let me emphasize that much of Louisiana is still underwater. The loss estimates that I have given you do not include acres that are still flooded. The early ASCS estimates are only the beginning and the total number of lost acres will probably grow significantly.

Under the 1988 Disaster Relief Act, about 4,226 Louisiana farmers received disaster payments last year. With the extensive rainfall and flood damages that have hit more than half of Louisiana's parishes, a large number of farmers again find themselves threatened.

If Congress is going to provide disaster relief for 1989 crops lost to drought, then we must, in the name of fairness, authorize payments to farmers who have experienced losses due to other kinds of natural disasters.

There is no acceptable or plausible reason to exclude Louisiana growers who have suffered from excessive rainfall and flooding from disaster relief legislation for the 1989 crop. Nearly 60 percent of our parishes have been affected. In some areas, rainfall and flooding levels have set new records. A minimum of 2.2 million crop acres have been lost. Many of my State's farmers face tremendous losses due to this disaster. They need relief. As I stated in my opening remarks, I urge the committee to include them in a 1989 disaster relief bill.

Mr. Chairman, I will bring my remarks to a conclusion. But first I want to thank you for your personal involvement in this issue. I know that equity and fairness in dealing with farmers have always been important to you. It is always a pleasure to work with the Chairman, and I am grateful for the opportunity that you have given me to work with you on this issue of such vital importance.

LA STATE ASCS OFFICE

AS OF 7/12/89

EXCESSIVE RAIN RECEIVED
MAY - JULY, 1989

	COTTON		SOYBEANS		RICE	
	Acres Affected	% Loss	Acres Affected	% Loss	Acres Affected	% Loss
Acadia			140,000	20%		
Allen			25,000	60-70%	18,000	25-30%
Ascension			5,000	65%		
Assumption						
Avoyelles	1,000	20%	58,000	30%	1,000	10%
Beauregard			5,000	UNK	500	UNK
Bienville	733	50%				
Bossier	400	15-20%	7,000	15-20%		
Caddo	4,000	UNK	6,000	UNK		
Calcasieu			30,000	80%	35,000	40%
Caldwell	1,000	100%	2,000	100%	500	100%
Cameron			12,000	85%	15,000	40%
Catahoula	27,000	35%	140,000	40-45%	500	15%
Claiborne	50	20%				
Concordia			25,000	50%		
DeSoto	500	10%	200	50%		
East Baton Rouge						
East Carroll						
East Feliciana						
Evangeline	301	10%	43,200	40%	37,503	15%
Franklin	36,300	33%	27,500	50%	700	30%
Grant	1,700	60%	5,000	90%		
Iberia			1,200	100%		
Iberville			20,000	UNK		
Jackson						
Jefferson						
Jefferson Davis			82,000	30%	79,000	30%
Lafayette			15,000	UNK		
Lafourche						
LaSalle	425	35%	1,400	35%		
Lincoln						
Livingston						
Madison	30,000	UNK	193,000	UNK		
Morehouse	80,662	UNK	40,000	50%	45,000	60%
Natchitoches	20,000	45%	40,000	50%	1,800	30%
Orleans						
Ouachita	16,000	UNK	15,000	66%	3,000	UNK
Plaquemine						
Pointe Coupee	750	35%	60,000	45%		
Rapides	5,000	30%	30,000	80%		
Red River	8,312	80%	10,000	50%		
Richland	25,000	UNK	35,000	UNK	5,000	UNK
Sabine						
St. Bernard						
St. Charles						
St. Helena						
St. James			5,000	65%		
St. John						
St. Landry			24,000	UNK	2000	UNK
St. Martin			4,500	UNK		
St. Mary						
St. Tammany						
Tangipahoa						
Tensas						
Terrebonne						
Union						
Vermilion			85,500	13%	27,000	20%
Vernon			1,400	50%		
Washington						
Webster	650	20-40%	250	30-50%		
West Baton Rouge			15,000	UNK		
West Carroll	1,810	100%	5,000	100%	8,000	100%
West Feliciana			4,000	UNK		
Winn						
TOTALS	268,721		1,230,150		334,703	

LA STATE ASCS OFFICE

EXCESSIVE RAIN RECEIVED
MAY - JULY, 1989

	CORN		WHEAT		HAY	
	Acres Affected	% Loss	Acres Affected	% Loss	Acres Affected	% Loss
Acadia	3,000	10%				
Allen			1,275	50-60%		
Ascension			250	7%		
Assumption						
Avoyelles						
Beauregard	1,000	UNK			4000	50%
Bienville	25	35%				
Bossier			2,000	50-60%		
Caddo			5,000	50-75%		
Calcasieu			12,000	35%		
Caldwell					5,000	35%
Cameron			800	35%		
Catahoula	0	0				
Claiborne						
Concordia						
DeSoto	30	15%				
East Baton Rouge						
East Carroll						
East Feliciana						
Evangeline						
Franklin					1,000	UNK
Grant	10	20%			5,000	20%
Iberia						
Iberville	6,000	UNK			150	20%
Jackson	55	40%				
Jefferson						
Jefferson Davis						
Lafayette						
Lafourche						
LaSalle						
Lincoln						
Livingston						
Madison	17,000	UNK	20,000	40%		
Morehouse			7,500	60%		
Natchitoches	2,000	50%				
Orleans						
Ouachita						
Plaquemine						
Pointe Coupee	22,000	30%				
Rapides	300	10%				
Red River	500	20%	1,750	45%		
Richland					130	25%
Sabine						
St. Bernard						
St. Charles						
St. Helena			250	7%		
St. James						
St. John						
St. Landry	UNKNOWN		7000	10%		
St. Martin						
St. Mary						
St. Tammany						
Tangipahoa						
Tensas						
Terrebonne						
Union					5000	25%
Vermilion					1,000	20%
Vernon						
Washington					5,000	30%
Webster	500	15-20%	50	50-60%		
West Baton Rouge	2,000	UNK			1,200	100%
West Carroll						
West Feliciana	2,000	UNK				
Winn					1,000	UNK
TOTALS	67,715.		73,875		36,294	

LA STATE ASCS OFFICE

EXCESSIVE RAIN RECEIVED
MAY - JULY, 1989

	PASTURE		TRUCK CROPS		SUGARCANE	
	Acres Affected	% Loss	Acres Affected	% Loss	Acres Affected	% Loss
Acadia						
Allen			300	70-80%		
Ascension						
Assumption						
Avoyelles			600	15%		
Beauregard			1,000	UNK		
Bienville	2,000	40%				
Bossier						
Caddo						
Calcasieu	82,000	50%				
Caldwell						
Cameron	45,900	60%				
Catahoula						
Claiborne						
Concordia						
DeSoto						
East Baton Rouge						
East Carroll						
East Feliciana						
Evangeline	11,000	20%	7,200	35%		
Franklin						
Grant	7,000	UNK				
Iberia			175	50%	27,000	UNK
Iberville						
Jackson	200	10%				
Jefferson						
Jefferson Davis						
Lafayette						
Lafourche						
LaSalle						
Lincoln						
Livingston						
Madison						
Morehouse			1,800	50%		
Natchitoches						
Orleans						
Ouachita			50	UNK		
Plaquemine					1,000	20%
Pointe Coupee						
Rapides						
Red River						
Richland						
Sabine						
St. Bernard						
St. Charles						
St. Helena						
St. James						
St. John						
St. Landry						
St. Martin						
St. Mary						
St. Tammany						
Tangipahoa						
Tensas						
Terrebonne						
Union						
Vermilion	15,000	10%				
Vernon						
Washington						
Webster						
West Baton Rouge					7,000	UNK
West Carroll	3,000	100%				
West Feliciana						
Winn	5,000	UNK				
TOTALS	170,100		11,370		35,000	

LA STATE ASCS OFFICE

EXCESSIVE RAIN RECEIVED
MAY - JULY, 1989

	GRAIN SORGHUM		OATS		WATERMELONS	
	Acres Affected	% Loss	Acres Affected	% Loss	Acres Affected	% Loss
Acadia	2,000	10%				
Allen	2,000	60-70%	1,100	50-60%	1,000	70-80%
Ascension						
Assumption						
Avoyelles						
Beauregard	1,000	UNK				
Bienville	150	45%			700	75%
Bossier	800	15-20%				
Caddo						
Calcasieu	3,000	80%	3,000	80%		
Caldwell						
Cameron	300	80%				
Catahoula	10,000	40%				
Claiborne	75	25%			112	75%
Concordia						
DeSoto						
East Baton Rouge						
East Carroll						
East Feliciana						
Evangeline	4,544	25%				
Franklin						
Grant	500	20%				
Iberia						
Iberville						
Jackson	25	20%				
Jefferson						
Jefferson Davis						
Lafayette						
Lafourche						
LaSalle	20	25%				
Lincoln						
Livingston						
Madison						
Morehouse	10,000	80%	2,500	60%		
Natchitoches	2,000	50%				
Orleans						
Ouachita						
Plaquemine						
Pointe Coupee						
Rapides	900	40%				
Red River	3,000	50%				
Richland	1,000	UNK				
Sabine	100	25-50%				
St. Bernard						
St. Charles						
St. Helena						
St. James						
St. John						
St. Landry						
St. Martin						
St. Mary						
St. Tammany						
Tangipahoa						
Tensas						
Terrebonne						
Union						
Vermilion	50	10%				
Vernon	350	50%				
Washington	50	20-40%				
Webster						
West Baton Rouge						
West Carroll	1,000	100%				
West Feliciana						
Winn						
TOTALS	45,004		6,600		1,912	

Senator CONRAD. Thank you, Senator Breaux.

Next, we will hear from Representative Glen Browder of Alabama.

Senator HEFLIN. Let me have the privilege of introducing Congressman Glen Browder. Glen is the most freshman—well, I believe maybe there might be one other Member that has been elected—he is new on the scene, but he comes with a great background. He is a political science professor at Jacksonville State University in Alabama. He was in the legislature; and he was elected secretary of state, and recently was elected to succeed the great Congressman Bill Nichols of Alabama, who served here very ably for many, many years.

We are expecting great things from Congressman Browder. He won his election by an overwhelming vote; and we look forward to working with him. We are pleased that he can be here and testify on a growing and growing issue in Alabama.

STATEMENT OF HON. GLEN BROWDER, A REPRESENTATIVE IN CONGRESS FROM THE THIRD CONGRESSIONAL DISTRICT, STATE OF ALABAMA

Mr. BROWDER. Mr. Chairman, Senator Heflin, members of the committee, as Senator Heflin said, I am new in the House. I have been here less than 3 months. The district that I represent was represented by Congressman Bill Nichols, who was known as a friend of the farmers, ranchers and foresters. I would like to continue in that tradition; and I would like to share with you today some of the things that I feel, and some of the concerns that I have, about this problem. And I ask that they be considered as you determine what relief is appropriate for agriculture in our country.

One year ago, the State of Alabama was experiencing a drought like the rest of the country. Today, it and the Southeast is suffering exactly the opposite. Imagine the average rainfall we have in Alabama during an entire year. Well now, think about the fact that we have received a majority of that in the last 30 days; and it is still raining.

During the recent district work week, I went through some of these areas and I walked in the fields, and helicoptered over field after field of flood cropland. I would like to share with you at this time a few of the things that we are experiencing in Alabama with this water.

I have asked for more extended remarks to be entered into your record, but I have a few pictures that farmers have sent us that give graphic illustration of these problems.

Many things happen to us when we have too much water. The first is sheet erosion. You have sheet erosion; you have gullies; and it is obvious that we have suffered tremendous damage in Alabama.

The second result of excess moisture is that saturated soils quickly lose oxygen. And I looked at areas that are 15 feet underwater. Senator Breaux was talking about, they cannot find their fields. That is true. Some of them are 15 feet underwater. The root systems of plants require oxygen, without it roots die. One farmer,

Mike Gunn of Tallapoosa County in my district, has lost over 450 acres of a 1,000 acre cotton crop to this condition.

Third, we have stunted or immature crops. I have gone through fields—and there is a picture of some of these fields—that have just a stalk sticking up. The leaves have died. Well now, leaves are coming back. And the farmers have to make a decision. Are you going to try to salvage this crop? Are you going to plow it under? And do you have time to plant another one?

Fourth, is the nutrients are washed away. So if you have a crop left, or if you are going to plant a new one, you have lost your nutrients. You have lost your herbicides. That may be a good thing. Unfortunately, some of the fields have lost the herbicides. We still have a stunted crop; and the grass has taken over. The ground is so soft, you cannot get your equipment in there to clear it out.

We have a lot of ranchers in this area. The hay that was out in the field has been destroyed.

Mr. Chairman, this may sound like a horror story; and it is. And I think it has been pointed out, crop insurance, as it is working now, is not the answer.

In conclusion, I would like to thank you for letting me share with this committee my observations. This is a new experience and a new responsibility for me. But I think that it is important that agriculture in America remain strong and viable.

We have come through some hard times. And we are coming through some hard times now. But I think that it is important that we keep our farms in production to meet the challenge.

Thank you.

[The prepared statement of Mr. Browder and the drought pictures follow:]

PREPARED STATEMENT OF HON. GLEN BROWDER, A REPRESENTATIVE IN CONGRESS FROM THE THIRD CONGRESSIONAL DISTRICT, STATE OF ALABAMA

Chairman Leahy, Senator Heflin, honored members of the Senate Agriculture Committee. As you know I am a freshman Member of the House of Representatives, representing the Third Congressional District of Alabama. The seat held by the late Congressman Bill Nichols. Mr. Nichols distinguished himself in many ways, but in the Third District of Alabama, the people thought of him as the Representative of the farmers, ranchers and foresters. It is my firm resolve to continue in that tradition. It is an honor to appear before you today.

One year ago, the State of Alabama was suffering from a prolonged drought. Ground water and surface impoundments were at record lows and the farms, fields and livestock were stressed beyond belief. In September, the Congress passed the Drought Assistance Act of 1988. This legislation allowed many of the cotton, feedgrain, soybean and livestock producers to make it through the year to plan their production for 1989. In Alabama and throughout much of the Southeast, precipitation at, or slightly below average brought soil moisture levels into the adequate range, but the fear remained that 1989 would be a repeat of previous drought years. In fact, other regions of the Nation were suffering a repeat of the drought condition and that is what brings us here today.

Today, July 13, 1989, the Southeast is suffering the opposite of drought. In the past 30 days we have received over half of the total annual rainfall that we normally receive in an average year; and to date in July many stations have already exceeded the average monthly precipitation. The State of Alabama, and with few exceptions the entire Southeast from Texas through Georgia is quite literally saturated. During the recent district work session, I held meetings and traveled to the farms of several of my constituents to look at the damage to their crops and fields. I walked on their soggy fields and helicoptered over field after field of flooded cropland. The devastation is already evident. Since that time, I have heard from other farmers, Extension Specialists and have consulted with several experts in Alabama.

From what I have learned, I must conclude that many of them are as stressed with an excess of water as they were by drought.

I would like to share with you some of the observations which I have made, and ask that they be considered as this committee deliberates over appropriate disaster relief for the farmers and ranchers of this Nation.

Many things happen to crops, pastures and forests when they receive too much moisture. The first and most obvious comes as a result of a large amount of water delivered in a short period of time. The resulting flood first saturates the land. After the soil is saturated, a very little more causes sheet erosion which destroys not only the standing crop but the future fertility of the field. In Alabama I visited fields located below flood control dams which had to be opened to remove excess water from the flood pool. Whole fields were washed away in the resulting runoff. These were located in areas adjacent to streams which flood periodically in the early spring, but which have not been known to flood during the growing season in recent memory. In addition, I witnessed and was told about many farms where terraces and contour planting were being practiced where excess water had torn huge gullies which must be repaired. No work can be done until the soils dry.

A second result of excess moisture is that saturated soils quickly lose oxygen. The root systems of plants require oxygen, without it roots die, and ultimately the plant dies. Plants vary in their ability to live in saturated soils, unfortunately cotton, soybeans, corn and other feed grains cannot live more than 7 to 10 days under these conditions. One farmer, Mike Gunn of Tallapoosa County has lost over 450 acres of a 1,000 acre cotton crop to this condition.

Third, I observed low spots in fields where the flooding was intermittent, or did not last long enough to kill the plants. The plants that I observed had lost their leaves and were bare stalks 6 to 10 inches high. I was informed yesterday, that these plants have now begun to grow new leaves. However, it is impossible to tell the extent of the damage, or if they should continue to grow if there is a sufficient number of days left in the growing season for them to mature a crop. Paul Taylor had several fields amounting to one-half of his crop which were either killed outright, or exhibited this condition. Cotton is a unique crop which requires, hot, dry weather to fruit and mature. Rain at this period forces the plant to grow, but does not allow it to bloom or fruit. In all of the fields that I visited, there were virtually no buds, blossoms or immature bolls. We are a month behind and if the condition ended today we could see frost destroy potential crop in the field.

Jim Brady, a dairyman and row crop farmer from west Alabama, reported that in his entire soybean crop he could not find any bean plant which did not have rot on the taproot. Lateral surface roots were supporting the life of the plant, but even a mild dry spell would wipe out the crop now. He has no way of knowing if he will make a bean crop today.

Fourth, in all of the fields which have been saturated, even for a short period, the nutrients applied for the current crop have been depleted. Mr. Taylor lost from 10 percent to one-third of the nitrogen required to produce a cotton crop. In many instances, he will be required to apply an additional 100 pounds of ammonium nitrate to adjust for the leaching.

Fifth, herbicides placed to control weeds and grasses may have leached with the nutrients, leaving an otherwise minimally damaged field growing strong weeds which farmers are unable to cultivate or reapply herbicides. An option open to Southern farmers who have lost cotton or soybeans could be to plant milo or grain sorghum. In either case however, if residue of the herbicide remains, it will kill emerging plants. Late planted, short season soybeans which could mature if the growing season is perfect, would still lose 25 to 40 percent of the yield just due to lateness of planting making replanting questionable.

Sixth, my district has a large number of ranches. Many low lying farms and large round bales on the ground, or cut hay in the field when the floods came. None of this can be salvaged. However, when you look at the hay fields and pastures the grass is growing strong and it appears that another cutting would alleviate any shortage which could occur from the lost hay. This is not the case. The digestible nutrients in these lush grasses, many of which have passed optimum maturity, is greatly reduced. I have heard of farmers from Mobile to Huntsville who fear that they will experience a hay shortage.

Mr. Chairman, if this sounds like a horror story, it is meant to. I know that this committee in its wisdom and compassion for farmers will find a way to craft legislation which will overcome objections posed by the administration. Legislation which is fiscally sound and which will get my farmers and ranchers in the Third District of Alabama through this crisis.

Crop insurance is not working. If it were, I am sure that we would not be forced to have this meeting today. I am told by the farmers that I visited that coverage is not adequate to cover the risk of total disaster, that adjusters are not adequately trained to determine damage when it is present, especially at this stage in the production cycle. I intend to study this issue carefully.

Many of my cotton farmers, particularly those who have either totally lost their crop, or have denuded cotton with patches of standing cotton, but who cannot envision yields which would cover current and future costs of finishing the crop, ask that they be allowed to have the crop designated a total disaster now. The provisions in the Drought Assistance Act of 1988 allowed this and should be considered a part of any new legislation.

In conclusion, I should like to thank you for allowing me this opportunity to share my observations with you. This is a new experience and a new responsibility for me. I feel that it is important that the agriculture of this Nation remain strong and viable. I feel that we passing the bad days of the 1980's and should emerge able to compete in all markets. We must keep our farms in production to meet this challenge. Thank you.

DROUGHT PICTURES SUBMITTED BY HON. GLEN BROWDER, A REPRESENTATIVE IN CONGRESS FROM THE THIRD CONGRESSIONAL DISTRICT, STATE OF ALABAMA

Senator CONRAD. Thank you. We will now turn to Senator Boren for his opening statement—a very brief opening statement—then go to Senator Dole to introduce Governor Hayden.

STATEMENT OF HON. DAVID L. BOREN, A U.S. SENATOR FROM OKLAHOMA

Senator BOREN [presiding]. Thank you very much, Mr. Chairman, for changing chairs here for a few moments.

I appreciate Chairman Leahy calling this hearing, and setting markup for next week. I think it is imperative that we move as quickly as possible. We now have the numbers; and we know that we are facing a very, very difficult situation.

In my home State, we have determined that our average yield for wheat is down from 36 bushels an acre to 26 bushels an acre. It is a 30 percent drop.

In some parts of the State, in the panhandle area, for example, the reduction is much, much more drastic than that. We are experiencing the same kind of difficulties of a magnitude that were experienced last year in the Upper Middle West, which was hit by such devastating conditions.

We also lost half of our peach crop in the State this year, due to the freezes. And not only did we have problems with drought in part of the State; freeze in other parts of the State; we were hit with very heavy rains at the wrong time in other parts of our State, which made it impossible for us to have about 50,000 acres usually planted in cotton, planted in that particular crop. So we have had difficulties across the board.

We were able to work last year in an expeditious fashion to take care of those regions of the country that were hard-hit by weather problems. And it is my hope and my belief that we can do the same this year to help those that are suffering and move in an expeditious fashion.

So I want to express my appreciation to Chairman Leahy for calling this hearing, and to other members of this committee that have taken leadership in this area. It has been a privilege to work with them and I remain committed to working with my colleagues here on the committee in getting a bill out, getting the markup completed next week, and getting help on the way to those farmers that are in such desperate need, as soon as possible.

I believe that Senator Dole is going to introduce Governor Hayden.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. First, let me thank the chairman and others for holding this hearing. Let me also thank Governor Hayden for making the trip. He understands how adverse weather affects small towns, he is from a very small town. He used to sell crop insurance. He understands some of our frustrations with crop insurance and he knows some of the areas we need to address. In fact, I think many of the House members, when he testified on the House side, were appreciative of his insights on crop insurance.

Senator Breaux said the problem we have is allocation, some places had too much rain, others have not had enough. We have another allocation problem, and that is money. Having been on this committee for over 20 years, I do not think we have ever failed to address the needs of farmers who had real disasters.

I think a big problem we have is the calendar and not knowing what is going to happen, plus the fact that we have already had demonstrated losses, as Senator Boren just pointed out, in some States. I could say the same for Kansas. How do we find the money to make certain that where we have a demonstrated loss, those farmers can be protected—at the same time, make certain, that whether it is North Dakota, South Dakota, Alabama, or wherever, that there will be an authorization to provide the same relief? If they have two successive disasters, obviously, they have a problem.

Last year, North Dakota, because of the severe drought, received a total of $406 million, South Dakota over $200 million, Kansas $60 million, Oklahoma $40-some million. We did not have a big problem in Kansas, I think $15 million was the total amount that went to Winter wheat.

It went to other States because they had a disaster, we did not have one, but we had the seeds of one, because we planted in 1988. Now we are having a situation which the Governor will discuss where farmers have abandoned 80 percent of their wheat, or 75 percent, or 50 percent of their acres. I would like to include in the record information from Kim Barnes at the Garfield Co-op, on conditions in west central Kansas, as compiled by Robert Frisbie, the Pawnee County Extension Agricultural Agent. In my own home county, Russell County, we abandoned 50 percent of the wheat, and where the normal yield is 36 bushels, we probably produced about 10 or 12. So we have had the loss.

What we need to figure out in this committee—hopefully on a bipartisan basis—is how we are going to deal with areas that have had a demonstrated loss and how we are going to find the money.

As I look at it—and I hope I am not being parochial—the budget savings will largely be from losses to the Winter wheat areas and maybe Spring wheat if you are accurate, and I am certain you are, there may be savings there. I think Senator Heflin indicated cotton is down according to the crop report. There may be savings there.

So, we need to figure out some way to protect those crops, frankly, without drastically diluting available savings for Winter wheat producers. If we use the midsession review there may only be enough savings to give the Winter wheat producers the same treatment that other producers received last year.

I know, with the House having passed a bill that covers 540 crops, the temptation is pretty great to be overly generous in scope. We have to ask ourselves if we should limit this to program crops, because program crops are going to furnish the money.

Program crop producers are the ones who have to have the set-asides and the ones who have to deal with the ASC offices. Montana has a cherry problem and we covered everything last year, 600 or 640 crops according to USDA, and there are just some realities we have to deal with—should it be limited to program crops or should we find some other savings.

I have some ideas how we can save several hundred million dollars from the agriculture budget, but I think Senator Leahy has some of them in mind for reconciliation. Mandating the 10/25 soybean-sunflower provision for another year, that is $116 million. Change direct loan programs, and you could save some money.

There are other ways we can save some money, but I think the point is we need to do it very quickly, and not go beyond the August recess, because our farmers are going to start planting in September, and some do not have the money to make the choice.

So, in introducing Governor Hayden, I am pleased to say he is someone who understands our situation, and I agree with others, I think we ought to address the crop insurance program. Farmers cannot have it both ways any more than anybody else.

Crop insurance has to be a realistic program. We are already putting $400 million a year into crop insurance. That is 30 percent of the premium in most cases. We have to decide whether we are going to have crop insurance that works, or whether we are going to have an annual disaster bill, and I am not certain which would be the best.

If we are going to spend more on crop insurance, maybe it is better to just take your chances every year on a disaster program, but that is a choice we will probably make in the 1990 farm bill. We probably will not make it this year.

So, I would just say to my colleagues I have never known a partisan bill to emerge here that gets anywhere on either side, and I have seen a lot of pretty skillful legislators, so if it is not bipartisan, we probably will not have any legislation at all.

But I would hope that in all our considerations we keep in mind that certain areas have the loss and certain other areas may have the loss. We want to protect both, but we just need to figure out how to do it.

[The prepared statement and attachments of Senator Dole follow:]

PREPARED STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM KANSAS

Mr. Chairman, I appreciate the committee holding a hearing today on what is already a very serious problem in my State for Winter wheat producers. Governor Hayden will be presenting the grim facts of the drought's impact on our wheat production, which will be less than one-half of its potential. But it has also hurt our livestock producers and the many small businesses that depend on a sound farm economy.

Governor Hayden is very familiar with our predicament. Not only has he witnessed the impact of the drought first-hand, but he use to sell crop insurance, so he knows some of the problems that we are faced with.

TIME TO HELP KANSAS

For many farmers in Kansas, this is the first time they have ever asked for a helping hand from Washington. They feel they should have the same consideration given to them that producers in other States received last year because they have been affected by the same weather disaster. And last year, we acted not only in a bipartisan manner but in record time considering the massive extent of the problem.

LEGISLATIVE APPROACH

We have a total of 14 cosponsors on a drought bill we introduced earlier targeted to crops planted in 1988 for harvest in 1989: Senators Boren, Kassebaum, Nickles,

Bentsen, Gramm, Baucus, Burns, Pressler, Wirth, Pryor, Daschle, Domenici and Gorton. I know other Members have introduced bills as well.

It just seems to me that we have a proven disaster in Winter wheat States and only so much money. The midsession review will be out later this month, possibly in time for our July 19 markup, and we're hearing informally there may not be much money. We've heard there may only be enough money to make Winter wheat farmers whole under last year's provisions

Conclusion

So it is my view that we should not use savings from the wheat program and spread it around to a legion of other crops. If we are going to include other crops as some desire, it would seem we should mandate the savings from the wheat program, that we know are available now, for Winter wheat and authorize payments for other crops with proven losses.

ECONOMIC OVERVIEW

By Kim Alan Barnes
Pawnee County Economic Development Commissioner
Garfield Coop General Manager

In the 18 Counties where 2,919,100 acres were planted to wheat the 1989 harvest would provide a direct effect by infusing the local economy with spendable income. Beside the up-front impact from the gross sales of wheat, each County would have value added income that would be classified as "secondary income". For this report we will use .28 for each dollar received. When dollars expected for spending are not received, it causes after shock into all business that directly or indirectly serve the agriculture segment. Grain elevators, equipment dealers, part stores will be directly effected and other retail business will,in turn feel the shock waves of the missing expendable dollars.

What impact potential were the 18 Counties of West Central Kansas expecting from the 1989 Wheat harvest?

Seeded Acres: 2,919,100 X 33.4 bu @ acre= 97,497,940 bu

97,497,940 bu X 4.00 @ bu = @ 389,991,760.00

Secondary impact for each $1.00 received
.28 cents increase in turnover @ 109,197,480.00

Total impact from 1989 Wheat harvest @ 499,189,450.00

One thing to remember is that we used $4.00 bu. as our example:

An increase in Price by .01 cent = 974,979.40

" " " " " .05 cents 4,874,897.00

" " " " " .10 cents 9,749,794.00

The 18 County report shows that 67.38% of the planted acres has been abandoned in the 1989 wheat harvest. Those acres harvested 952,211 are projected to yield 10.35 bushels per acre which is 31.7% of normal yield.

This will have the following impact:

952,211 acres X 10.35 bu per acre	=	9,855,270.00
9,855,270 bu @ $4.00 =		$39,421,080.00
Secondary Impact $1.00 - - .28 cents	=	2,760,000.00
/total	=	$42,181,080.00

When one sees that the 18 Counties will not share 1/2 billion in revenue but will only see 42.1 million. It is clear that the economy for all 18 Counties will be impaired without the Legislature extending Drought assistance to Kansas. (Some Counties are in better shape than others in expected production and will see a larger % of the expected income while other Counties sharing very little.) This will not only impact the 18 Counties but, will be felt by the State of Kansas in loss of revenue.

We strongly urge the Congress of the United States to pass the legislation needed to extend Drought assistance to the Wheat farmers of Kansas.

Cordially yours,

Kim Alan Barnes
General Manager Garfield Coop
President Pawnee County Economic Development Commission
Chairman Program Development Committee KDFDC

WHEAT CONDITION

West Central Kansas
July 7, 1989
By Robert L. Frisbie
Pawnee County Extension Agricultural Agent

This report updates the description of the conditions of the 1989 Wheat crop in 18 counties in West Central Kansas. This is the final estimate for the 1989 wheat crop. This estimate was made by K.S.U. Cooperative Extension county agents and Agricultural Stabilization and Conservation Service directors. This report is an estimate because the harvest is not yet completed in the 18 county area. However, the yields and acres are very close to actual expectations.

The report is being provided for the U.S. Senate debate on Drought Legislation. Documents provided with this report include a map with four questions provided by the Extension and A.S.C.S. personnal from each county. They were: 1) number of acres seeded to wheat in the fall of 1988; 2) percentage on these acres that have failed or will be abandoned; 3) percent condition as of normal of the remaining acres; and 4) normal yield for the county. Also provided is a map showing: 1) actual bushels harvested July 1989; and 2) bushels anticipated when seeded in 1988.

The composite actual bushels harvested for the 18 counties July 1989 is 9,855,270 bushels. This is only 10% of the anticipated crop of 96,330,300 bushels. The anticipated was figured using acres seeded in 1988 times the average yield for the area. These losses are a result of the drought conditions at planting in 1988 and the continuation of these conditions until May of 1989.

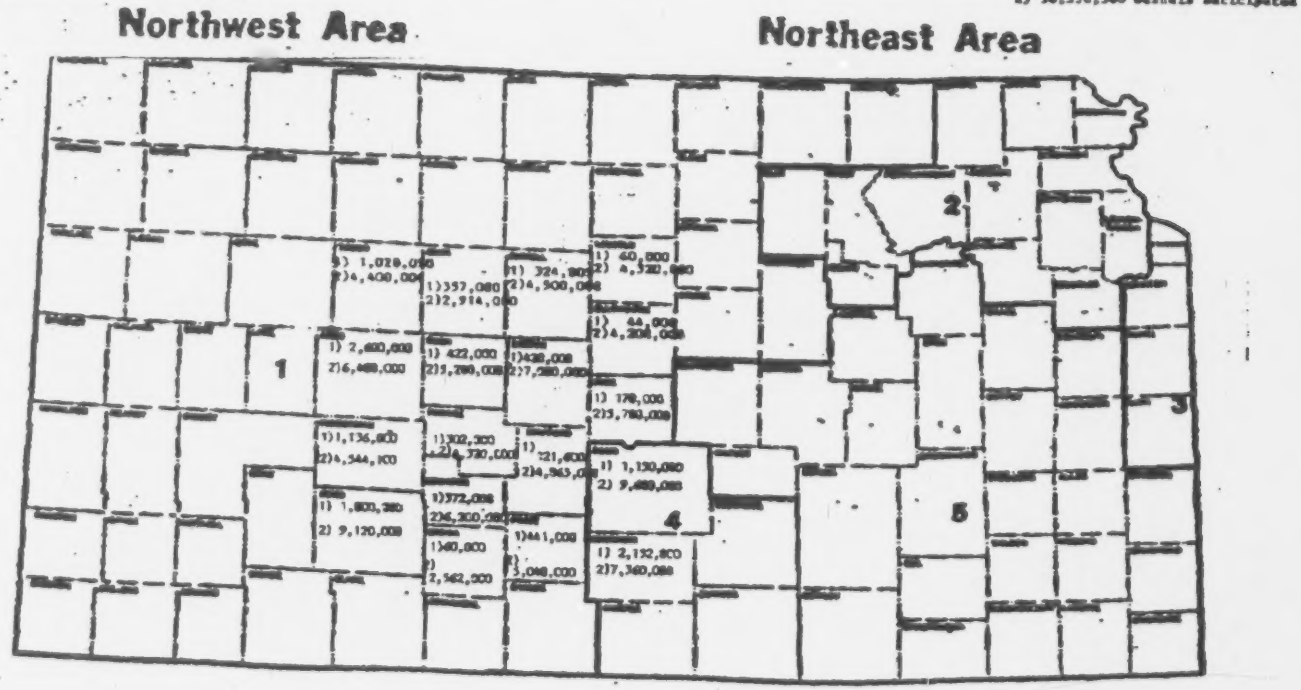
Harvest is nearly complete in these 18 counties. 1,955,797 acres or 67% of the seeded acres were completely abandoned, the remaining 963,303 acres or 33% that was harvested averaged about 10 bushels per acre.

When considering the actual bushels produced divided into the acres seeded in 1988 this crop represents a realistic average yield of 3.3 bushels per acre. The normal average yield for these 18 counties is 33 bushels. Production is down 90 percent because of the 1988 drought.

estimates
Actual bushels harvested July 1989
Bushels anticipated when seeded in 1988

REPORT OF JULY 7, 1989

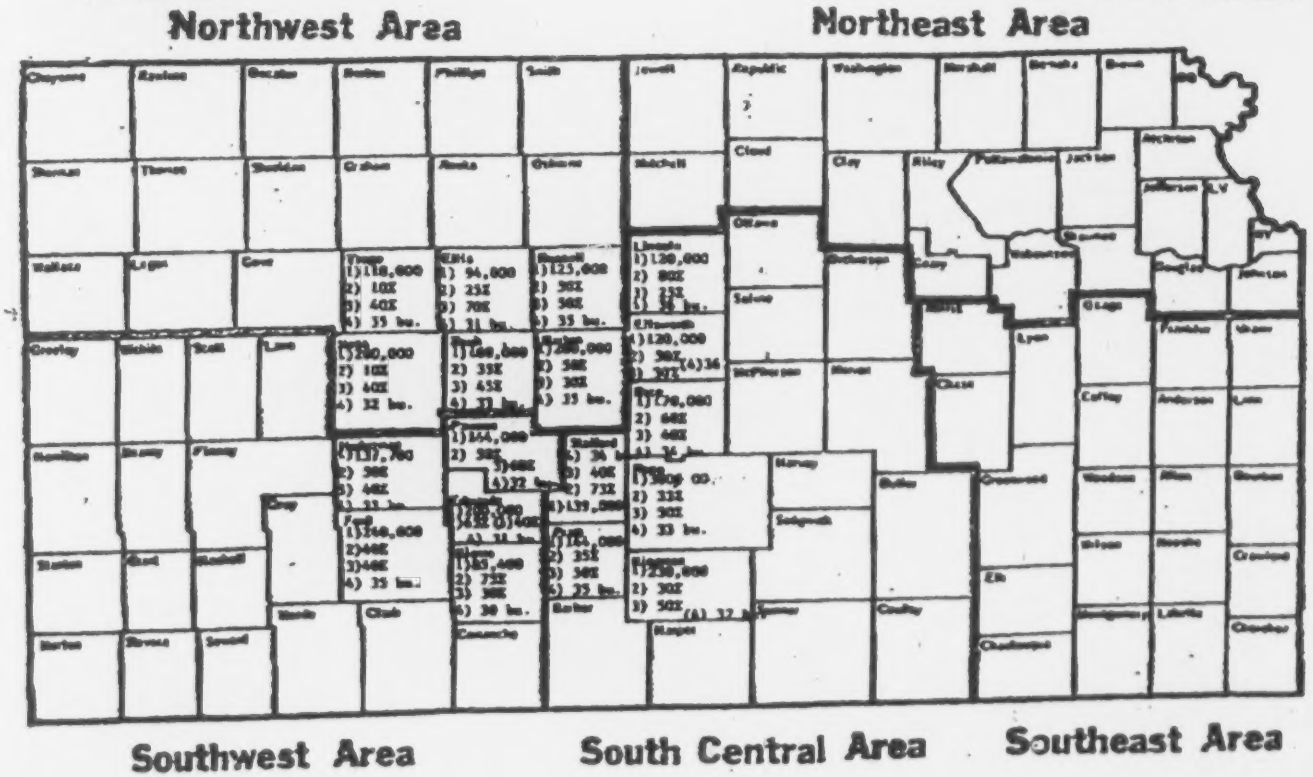
18 County Composite: 1) 9,855,270 bushels harvested
2) 96,330,300 bushels anticipated



REPORT OF APRIL 13, 1989

Questions
1) Acres Seeded
2) Percent Abandoned
3) Percent Condition of remaining acres
4) Average Yield

18 County Composite:
1) 2,919,100 acres seeded
2) 46% Abandoned (1,342,786 acres)
3) 43% condition of remaining acres
4) 33 bushel average yield (14 bushel estimate)



Senator DOLE. Having said that, I am very proud to introduce Governor Hayden of Kansas to give you some additional facts. He has been out touring the State, as many of us have.

Senator BOREN. Governor, we are really glad to have you here this morning, and Senator Dole, I, of course, strongly echo the comments you have made. We have an urgent situation, we have an urgent situation with Winter wheat in our State, as well. We have always been able in the past to get together on a bipartisan basis in this committee and hammer out a solution. I believe we can do it in this case, as well. Many of us who went to work last year to help other areas of the country, that were harder hit than our own home areas, feel that it is only fair, now that we are experiencing these problems, that sensitivity be shown to our problems, as well, and our farmers who are suffering, and I think we have always had that kind of cooperation in the committee. I want you to know this Senator is certainly going to be working for that kind of solution, and I think many others around the table, all that are here today, will be too.

Governor, we appreciate your taking the time to come and share with us your first-hand report about the situation in your home State of Kansas.

We would welcome your testimony at this time.

STATEMENT OF MIKE HAYDEN, GOVERNOR, STATE OF KANSAS, TOPEKA, KS

Governor HAYDEN. Well, thank you, Mr. Chairman, it is a pleasure to be here, an honor in fact, and Senator Dole, we appreciate your inviting us to appear before the committee.

NEED FOR FEDERAL DROUGHT ASSISTANCE

We do come from the heartland, from Kansas. We have come just as of yesterday, and so we have looked at the situation first-hand and most recent, and we urge this committee of the need for Federal drought assistance for those farmers devastated by the drought of 1989, which is, in reality, the continuation of the drought of 1988. In some places, we never knew the difference. The only thing that changed was the calendar.

OUR REQUEST IS SIMPLE

Our request is simple and that is to first and foremost, please extend the 1988 Drought Assistance Act to cover those crops that were planted in 1988 but harvested in 1989 because the drought we've experienced was a continuation of last year's dry weather nationwide. The truth is that the situation in our State is even much more critical—and you know that, as well, Senator Boren, in Oklahoma—than it was last year.

What has happened is that the drought that was in Indiana last year, extensively in Iowa, in the Dakotas, has shifted to the South to some extent. It is still in the Dakotas, unfortunately, to too great an extent, but it has shifted to the South and to the West and it is now in Nebraska and Kansas and Oklahoma.

We all rallied around the flag last year. I was one of the first Governors to speak out about the drought and led the charge on a

bipartisan basis in the National Governors Association for the Drought Relief Act in 1988, and a lot of that assistance went to the Dakotas, and it went to the Corn Belt, and rightfully so. That is where the great losses were occurring.

GIVE OUR WHEAT FARMERS THE SAME CONSIDERATION THAT WE GAVE MANY OTHERS LAST YEAR

Now we see those similar losses in Kansas, Oklahoma, Colorado, Nebraska, and in the Wheat State, and we think that you ought to give our wheat farmers the same consideration that we gave many others last year.

The money is there to pay for this primarily because wheat farmers will receive little, if any, deficiency payments. In other words, it is the wheat farmers that are going to provide the savings in the budget that is going to allow the Congress, the Senate in particular, to even consider a drought relief program due to the effect of the drought on market prices.

It has dried up. We have not had a crop. Consequently, the prices have risen and the deficiency payments will be much less than anticipated, in fact, in some cases, nonexistent.

That is what is going to allow the Treasury of the United States to be able to afford to pay for a drought relief act in 1989.

But I say to you that the Treasury should not be the only beneficiary of the drought. In fact, our farmers are the ones who have suffered the loss as a result of that drought and the Treasury ought to recognize that and especially our wheat farmers ought to at least get some compensation.

COMPENSATION THEY RECEIVE WILL BE MINIMAL IN COMPARISON TO THEIR ACTUAL LOSSES

The truth is the compensation they receive will be minimal in comparison to their actual losses. Let's be honest about it. We know that in Kansas, the Winter wheat farmers directly are going to lose about $912 million as a result of the drought.

So, anything you pass is not going to indemnify people or compensate them fully at all. In fact, as Senator Dole said, it is going to give them enough money to get a crop in the ground this fall, with the hopes that fall rains and winter snow will provide us for a crop for next spring.

RELIEF SHOULD GO TO THOSE HURT MOST

I agree with the administration's approach, that the relief—and there are those here from the Department of Agriculture—should go to those hurt most, and that that assistance should be targeted where the injury has already occurred.

Now, a lot of you have talked about some impending problems with corn and feed grains, and it might happen, it might happen; we hope it does not, but it might. But the loss in wheat has already occurred.

CROP REPORT

We just got a crop report yesterday in Kansas, July the 10th. Our wheat now, which is almost complete as far as the harvest is concerned, 79 percent either poor or very poor, 79 percent.

Now, compare that to corn. Only 4 percent rated poor or very poor. Compare it to milo, our major feed grain, 5 percent poor or very poor; 79 percent poor or very poor in wheat. That is where the documented loss has occurred.

That is where it has occurred in Nebraska, that is where it has occurred in Oklahoma, especially in the northern counties, and that is where it has occurred in eastern Colorado, and that is where it has occurred in the Dakotas up to this point.

Now, the truth is that there may be some need to include some Spring wheat and barley, I know some of those crops in the Dakotas, because while they have not come to harvest yet, there has not been much rain this spring, and they do not look very good. They certainly do not look as good as the row crops do.

I talked to Governor Michelson in South Dakota just a few days ago and he said the row crops there look relatively good if, in fact, rain comes. And that can be said about Kansas except in the very extreme northeast portion of our State. We look at good corn and milo projections this fall if we get some additional rain.

But that drought has brought a disastrous impact in the area of wheat, and that is where the real need is. Kansas State University, our land-grant university, estimated that the total loss in gross State product in wheat alone this year, in Kansas, $1.6 billion.

We are talking about substantial money, $1.6 billion. So it is not just a small thing at all, but it is something that is significant to a lot of farmers and a lot of producers, and you are the ones who, in fact, stand ready to help us and we appreciate that, we appreciate it a lot.

I am tremendously proud of agriculture. I am from a farm family. In fact, today, my father and my brothers are in the harvest field. I am proud of agriculture, and it is an industry in our State and your State that has weathered one of the severest depressions during the early and mid-1980's of any time in the history of agriculture in this country.

We all know about the plummeting land values. We all know about the farm foreclosure. We all know about low commodity prices that haunted us for the first part of this decade.

Many businesses in towns failed. Senator Dole said I am from a small town, a very small town. I have seen those store fronts close up. I have seen those merchants move from those small towns to where there is greater economic opportunity because of the problems of agriculture.

But the truth is a lot of our farmers held on and some of our small businessmen held on, and their own tenacity and improved market prices and assistance from Washington has been important to us all in preserving our way of life in rural America.

Now, in 1989, the prospects of a good year and the hope of better prices have been belted by the calamity of mother nature, and we ask for your help and for your assistance.

SOME FACTS CONCERNING THE 1989 WHEAT HARVEST IN KANSAS

Let me review for you just a minute about the No. 1 wheat producing State in the Nation, and that is Kansas. We planted about 12½ million acres of wheat last fall. We are going to abandon over 3 million acres of those—abandon 3 million acres, or 25 percent of everything we planted. We have not abandoned that many acres in Kansas since 1951. That tells you how significant it is. It has been since the drought of the early fifties that we have abandoned that many acres in Kansas. The average yield is expected to be 22 bushels to the acre, down 12 bushels from 1988 and the lowest production in 22 years.

We are proud of America's farmers. They are the greatest producers in the world. But just imagine—just imagine taking a 22 percent cut from one year to another in your production and consequently in your farm income. That is what we face in wheat country in America today.

As of July 3, 1989, the Kansas wheat crop was only rated 4 percent—good to excellent and 51 percent—very poor. The disaster, in fact, is documented, it is very, very real, and we need your help and assistance in that regard.

Our harvest this year will only be 53 percent of normal, will produce about 211 million bushels of wheat. Normally, we produce 430 million bushels.

At roughly $4 a bushel, we have had a direct loss in the gross income of our wheat farmers in Kansas of $912 million.

I sympathize with the cherry farmers in Montana who lost $3 or $4 million. I do and I understand what the people said about the floods that have cost some parishes in Louisiana $30 million in crop loss. But in wheat alone in Kansas directly, we are talking about a $912 million loss. It is big time and that is why we are here before you today.

The truth is that we do not relish—and neither do you I know—we do not relish asking the Congress of the United States for assistance. Kansas farmers are proud people, just like the farmers in your State. They are self-reliant. They believe in themselves and they believe in hard work. We are proud of that great tradition in American agriculture. So they do not relish being in Washington asking for your assistance, but the extent of the drought, the extent of the disaster that has occurred has virtualiy left us no other alternative, and that is why we are here today seeking your help and your support.

WORK ON A BIPARTISAN BASIS

And we do ask you to work on a bipartisan basis. I spent 14 years in the State legislature myself and now in the third year as Governor, and I know how critical it is that people work together.

We have States here from all over the Farm Belt of this Nation. We have Republicans and Democrats. We have an administration and we have a Congress. And we have to come to some consensus.

I urge you to work together because if we do not, if we fail, who loses? Well, it is not you or I, of course, it is the American farmer, the producer, the backbone of this country.

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So we have to work together, and I think that means that the administration probably is going to have to make some compromises. I say that as a Republican.

But I think it also means that the Congress is going to have to make some compromises and that the bill that we saw come out of the House of Representatives is probably unrealistic. It is probably overloaded. It has too many crops. It is going to cost too much money.

But I know and I have confidence in the Senate and in the members of the conference committee when they are appointed, that in fact, a reasonable compromise could be worked out and that the USDA and the administration and the Congress can arrive at a reasonable proposal, a reasonable proposal for this Drought Relief Act.

IMPACT ON LIVESTOCK

I would like to say that we have heard some talk here, too, about the impact on livestock. Kansas happens to be No. 2 in the production of red meat in this country. We have had a significant growth in the cattle industry and the livestock industry in the last 15 or 20 years in Kansas.

We have had some significant reductions in herds because of the drought. We have had some tremendous sell-offs. In fact, at federally inspected plants in this country, the slaughter of cows is up sevenfold this year, sevenfold.

Now, the cows, of course, are the factory for tomorrow. It is that old cow out there that gives you those calves next year and the year after that, and if she goes to the slaughter plant, what does that mean to American consumers, what does that mean to American agriculture next year and the year after that, and the year after that?

We have seen some significant losses in the livestock industry. Last year, in the drought relief bill, the Congress did, in fact, put in some substantial provisions for livestock. Unfortunately, several of those provisions were never implemented.

We can understand the fiscal restraint that the USDA is under and the administration and the Congress. Believe me, we do and we are not unsympathetic with that at all. But we hope this year that you also consider the livestock provisions that you had in last year's bill, and we would hope that if you do put in some livestock provisions this year—which we would support—we would hope they would be implemented by the USDA.

I think it is a hollow promise not to do that. So, if you are going to give us some livestock relief, let's implement it; if you are not going to give it to us, that is another choice you are going to have to make and we understand that, but we want you to know that we support it and that we think it is important because of the need of this country, and the truth is, of the red meat that this country supplies around the world, Mr. Chairman.

MY REQUEST IS RELATIVELY SIMPLE, URGENT, AND NECESSARY

My request is relatively simple, urgent, and necessary. We need the 1988 Drought Assistance Act that you passed last year ex-

tended to apply to those crops planted last year, but harvested this year, so that our Winter wheat producers affected by last year's drought and this year's drought—which is one and the same in Kansas and in the Dakotas and in Oklahoma—can be made whole to the extent that other producers were compensated last year.

The truth is, they will never be made whole in that sense, but to the same extent that other producers were compensated last year, it is time to compensate our wheat producers this year.

I am sympathetic with the concerns of other crops, but it is unfair to take the wheat savings and spread it over 530-plus crops where documented disasters have not already occurred.

Therefore, disaster payments to Winter wheat farmers should be mandated, Mr. Chairman, in the drought relief bill. Then, if there are other sources of available funding—and we have already heard some talk this morning about possible savings on feed grains and some of those things, and we regard that as optimistic—if there are other areas of savings available, disaster payments to other crops could be authorized by the Congress to USDA at the discretion of the Secretary depending on the extent of the damage and the other appropriate criteria.

In other words, so we do not have to come back and do two drought relief bills in 1989, give us one where you mandate that wheat is going to be covered because the damage is already documented.

Give the Secretary of Agriculture the authority to extend that to other crops, if you feel it is necessary, and then if that occurs, he at least has the administrative power to deal with it, and we do not have to come back for another bill.

If the rains come—and which we all pray they do—he will not have to exercise that, and the budget will realize a savings. It looks to me to be a reasonable compromise where we all win—the Congress, the administration, and most importantly, the American farmer.

Kansans do not like to ask for Federal assistance. I am myself a fiscal conservative. I want to see the Federal Government save as much money as possible, even in the agriculture program, to reduce the Federal deficit.

Under the type of drought relief legislation sponsored by Senator Dole and by Senator Kassebaum from our State, there will be no negative budgetary impact because their whole program is targeted toward savings from deficiency payments.

I think it is appropriate and responsible that the Federal Government take this position and the U.S. Senate.

Thank you very much, Mr. Chairman, and members of your committee. I would be glad—I have not touched on the Federal crop insurance or several other areas that are of concern to this committee—I would be glad while I am here to answer any of your questions in that regard or any other regarding my testimony.

Thank you so much.

Senator BOREN. Thank you very much, Governor. You have made a very compelling case for us to act and act with dispatch. There is an urgent need out there, and as you say, what a tragedy it would be if those farmers, that have gone through these tough times of land values half what they were, fending off foreclosure year by

year, month by month, by lean management techniques and weathering those kinds of difficulties, if now they would lose it all because of these weather conditions.

It would indeed be a tragedy after they have already suffered through so many difficult years. There is a clearly demonstrated loss of great magnitude in your State. We have very similar conditions in about 10 counties in the northern part of Oklahoma, the northwestern part, that border Kansas, a very similar situation.

It is a devastating situation and it would be wrong for this committee to turn its back on that problem or to fail to deal with it in a speedy manner and to deal with it before we go out for the August recess.

I think we can do it, I think you are right. You have given us some good suggestions. Some compromising is going to be necessary all the way around, including the administration is going to have to compromise to some degree, as well.

But I think we can come up with a bill that will be responsible, that will take care of this demonstrated need, and will leave the door open, as you have suggested, to taking care of losses that might occur in other crops in the future.

There are some demonstrated losses already in some of the other crops that we deal with, where we can put a figure to it with some certainty, and can keep the costs of the bill, I think within appropriate range.

So your testimony has been very, very helpful to the committee today.

Let me ask, do you have any idea of how much of that loss that you have experienced in Kansas is uninsured, what the percentage of crop insurance coverage might be? We have all gone through the frustrations of trying to make the crop insurance program work.

We, of course, have had the special study commission that has been established, that is just now in the process of finalizing its recommendations for us. We know that the coverage for crop insurance, the understanding of it, the presentation of it, the marketing of it has been very spotty around the country, much better in some areas than in others.

That is the reason why many of us feel that while we hope to ultimately have some sort of a crop insurance program that will work, so we will not have to have annual disaster bills, that we are not there yet, and that is the reason we need to take some action this year to those that have suffered uninsured losses.

How would you recommend that we handle the crop insurance aspect in any bill that we pass, and how would you estimate the coverage to be in your State?

Governor HAYDEN. Well, basically, what is wrong with the Federal crop insurance program is, unlike other forms of crop insurance available on the free market, hail insurance, for example, or fire insurance, or other crop insurance that is available on the free marketplace, those type of insurance insure the top half of your crop in essence.

In other words, you take off your deductible, you buy a 5 or 10 or 15 percent deductible, and you immediately then are indemnified at that level in the event loss occurs.

What is wrong with Federal crop insurance is that it only insures the bottom half of your crop, and the truth is it does not even get up to half. It only insures 30 or 40 percent of your crop.

Now, a good farmer, like my dad, can expect in a normal year to raise 50 bushels of wheat, even 55 bushels of wheat, but let's say he raises 50 bushels of wheat—and he has had Federal crop insurance for many, many years—and the truth is even this year, we had one field that was totally hailed out, so in which case, he is going to be indemnified up to 20 bushels to the acre.

Senator BOREN. That is all.

Governor HAYDEN. So, you see that if a farmer sits down and he looks at it, and he says now the Federal Government will only allow me to insure 20 bushels to the acre, in a normal year I am going to get 50, in a marginal year I am going to get 35 or 40, and only once every 20 or 25 years am I going to get down to 20—unfortunately, that is going to happen in 1989 to most of our producers—but the farmer is smart enough to know that he is buying coverage that, for the most part, he is never going to use.

So you have got to have a program that allows much greater flexibility. If a farmer wants to insure 80 percent of his crop, then set a premium level and let him insure it. If he wants to take a 20 percent deductible, let him do it. If he wants to take a 40 percent deductible, let him do it. If he only wants to insure 20 bushel to the acre, let him go ahead. But set the appropriate premium level—and we heard some talk here about high premiums, and you know how it is in insurance, every time we pay the premium, we think it is too high.

We all know that, whether we talking about farm insurance or car insurance or life insurance. That has to be set by actuarial tables based on the history of indemnification.

But give farmers an opportunity to insure against reasonable loss, and when you can only insure 40 percent of your crop, you are not realistically able to insure against reasonable loss, because in 8 out of 10 years, you are not going to suffer 60 percent loss.

So you are only able to insure the very bottom, which most farmers figure that if it gets that bad, they have real trouble anyway.

Senator BOREN. I appreciate that answer. It has helped me understand the nature of the problem more. I have never heard a better explanation more succinctly put than you have just given.

Senator Conrad, any questions?

Senator CONRAD. Mr. Chairman, in the interest of time, and the fact that our colleague has joined us, Senator Cochran, I would be glad to give up my time should the Senator have a statement.

Senator COCHRAN. I will be glad to defer to another appropriate time. Thank you.

Senator BOREN. Senator Lugar.

Senator LUGAR. I just appreciated hearing the Governor. I have no questions.

Senator BOREN. Senator Dole.

Senator DOLE. I just tried to state the case in Kansas, not as well as the Governor did. He understands it, he is there every day. He is from a farm family. He understands the crop insurance aspects, too. But I think he has indicated that certainly we are not selfish in our State. We understand that other people in other parts of the

country may have the same problem, maybe do not have it yet, but may have it later.

I think there is one point that Senator Lugar made yesterday at a meeting we had regarding a "double payment" provision, where farmers are able to plant another crop, then there ought to be some way so the Government is not paying for a total loss in the first crop and the farmer is going to profit from another crop as well.

I think Senator Lugar is looking into possibilities there. I do not think farmers would expect to receive money for losses when they can plant another crop and maybe pick up 50, 60, or 70 percent of their expected income.

Some of that may be true in parts of our State where we may have enough rain to plant milo or something else.

I want to thank Governor Hayden and I want to thank the committee for inviting him to appear, and thank the members for listening to Governor Hayden, because I think he is a good witness. When we get into crop insurance, which I assume will be in connection with the 1990 farm bill, I would hope we would let him come back here and really visit with us about it on a one-on-one basis, or all of us together because he does understand it.

He understands the farmers' point of view, and I think he reflects the views of most of them. If we are going to make it work, and we are going to tell farmers they have to have it, then it has got to be attractive in the right sense. In other words, you have to be able to insure what you want if you want to pay the premium; if not, as you said, you can insure the bottom half.

I would just say to the Governor we hope we can have this bill, not only passed, but conferenced and signed by the President before August 4 or 5, which is less than a month away.

Senator BOREN. Senator Conrad, I think had one question.

Senator CONRAD. Mr. Chairman, I, too, would just like to thank the Governor for his description of the crop insurance problem. We often get asked why do you need a disaster bill if a crop insurance program exists, and I think the Governor's description clearly indicates why we need a disaster bill on top of crop insurance, because frankly, crop insurance does not do the job.

Last year, if crop insurance had been the only assistance available, even for those who had high-end crop insurance, the insurance would have covered about 30 to 40 percent of what farmers would get in a normal year. We would have had an absolute disaster. And of course, not many farmers have the high-end crop insurance because of the cost of the premium and because of the fact, as outlined by the Governor, that this option does not cover the first increment.

As a result, people are basically without the kind of coverage they need in order to be able to survive a disaster. Just as you have described with the State of Kansas, where you have a $900 million loss, our State university now says in North Dakota, as of today, we have a $500 million loss. It is absolutely stunning given where we were 3 weeks ago.

But when you have 105-degree weather and 30-mile-an-hour winds day after day, and no subsoil moisture, that crop deteriorates dramatically, rapidly.

I, too, want to thank the Governor for his excellent description of crop insurance, and I hope that people understand and transmit to others why crop insurance does not do the job.

Senator BOREN. Thank you very much.

Senator Daschle.

Senator DASCHLE. Mr. Chairman, without being redundant, I also want to reiterate my thanks to the Governor. I am sure he represents every Midwestern Governor with the eloquent statement, very compelling statement he made today.

I would, for the record, want to point out however--not even however because I think he would share this view—that yesterday, the USDA issued its crop report, and it surprised me a little bit in that corn production is actually declining according to yesterday's report by 400 million bushels, and inexplicably, wheat production is up by 90 million bushels in spite of the fact we have a very serious problem throughout the Great Plains.

What that means is corn prices are going to go up 5 to 20 cents a bushel, and wheat is down 5 to 10 cents a bushel, which means once again we could actually be drawing from the savings we generate in corn, like we did last year.

So, it again demonstrates the complexity of the situation and perhaps illustrates again why some of us feel that we may need to look beyond wheat, in spite of the fact that, as you say, as of today, our wheat situation is about as bad as it can be in the Great Plains.

Again, I want to thank you.

Senator DOLE. I just wanted to make one point, I think I agree with Tom, because we do have other crops in Kansas other than wheat and they are just like farmers in other States, they are going to say, well, you have taken care of wheat, what about us if it does not rain in eastern Kansas or northeastern Kansas where we have corn and soybeans.

So, we have that interest too. Our interest is not just to take care of the wheat farmers and forget about the rest.

Senator BOREN. Senator Cochran.

Senator COCHRAN. Mr. Chairman, let me just add my welcome and congratulations to Governor Hayden. I think he has been an outstanding witness for our committee today. In a very forceful, clear, easy to understand way, he has described to us what the problems are in his area, in Kansas, with the Winter wheat program and how this committee can act to resolve the difficulties that the farmers are facing.

I think we ought to take his suggestions that have previously been made by Senator Dole and incorporate them into a bill, and let's act on it quickly. I really think that action is needed immediately and that we ought to take the action that he recommends.

Senator BOREN. Thank you very much, Senator Cochran.

Again, Governor, on behalf of the committee, thank you for being with us and we do hope you will come back as we work on the 1990 farm bill and counsel with us further because we can certainly benefit from your expertise.

You have left us with a challenge to help these farmers that are in desperate need. It is a challenge I think the committee is going to take up. We have never failed to meet this kind of challenge in

the past when people have been hurting and have needed our help. I feel strongly we must not fail to meet it now and that we have to get this work done before we break. Your message to us, I think has increased the sense of urgency that we all feel about it and I appreciate your being here very, very much.

Governor HAYDEN. Mr. Chairman, it has been my honor to appear before you. I appreciate the hard work of the committee and of the U.S. Senate and the sensitivity that you have both to balance the Federal budget and to extend help to our farmers in times of disaster which we are having.

Let me say, too, that I do speak on behalf of many Governors, especially Midwestern Governors, but Governors all over the country, that we appreciate the tremendous response that you gave us last year on drought relief legislation.

It shows that the Government can be responsive, it can be responsive in very short order. We appreciate the work you did with a lot of Governors across this country with the House and with the administration.

We hope that we can find an expedient way to facilitate things this year, because the drought in Kansas is even greater than it was last year. We know compromise is necessary, and that is why we are urging that something be done about wheat in a mandated way, but that the Secretary of Agriculture be given flexibility that if the problems do develop on corn, that might happen, or on feed grains, or some of the other things, we hope they do not, but if they do, USDA ought to have the ability to deal with that.

Also, let me say that as we begin work on the 1990 farm bill, I and the other Governors are very, very interested and concerned in working with you. We are glad you are going to take it up early. Things like Federal crop insurance we want to work with you on, because there are a lot of other areas we could touch on and talk about and hopefully help with.

We also want to talk about things like the total farm base instead of specific acreage allotments for each crop, which allows substitution, and actually, as Senator Dole pointed out, it does not seem right to pay for a total loss on one crop and have a double crop in on that same acreage and perhaps receive deficiency payments or some other subsidization on that second crop.

There is a way to deal with that and we would like to work with you on the 1990 farm bill and to provide greater flexibility to work toward the goal of our farmers farming for the market and not for the Government.

I think all of us believe that. We say it. I think there is a way to achieve it. As a Governor, on behalf of the Governors of this country, we want to work with you to achieve it in the 1990 farm bill.

We just wish you the very best, Mr. Chairman, in your deliberations. If we can be of any assistance or help, we stand ready and we thank you for your commitment to our farmers, but most importantly to all the people of this country.

[The prepared statement of Governor Hayden appears at the conclusion of the hearing.]

Senator BOREN. Thank you very much, Governor. Thank you.

Our next witness will be Mr. Jack Parnell, the Deputy Secretary of Agriculture. I think he has some associates also accompanying

him. If he will come on up and also Mr. Steele, Deputy Director for Budget Analysis, and Mr. Campbell, Deputy Under Secretary for International Affairs and Commodity Programs.

Mr. Parnell, we would be happy to receive your statement at this time.

STATEMENT OF JACK C. PARNELL, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC; ACCOMPANIED BY SCOTT STEELE, DEPUTY DIRECTOR FOR BUDGET ANALYSIS, AND JOHN CAMPBELL, DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Mr. PARNELL. Mr. Chairman, in the interest of brevity, we have submitted our prepared statement. We would like that to be part of the record, and we will be very brief in our oral comments.

The Secretary regrets that he cannot be with you today. Conditions did not allow that to occur. I regret that he could not be with you today, as well. [Laughter.]

However, he certainly wanted me to say that his heart is here. He is sensitive to what is going on in the country and would like to see some corrections, as well.

It gives us a great deal of pleasure to appear before you to discuss disaster assistance legislation for 1989 crops.

I have with me today Deputy Under Secretary John Campbell, who is at my right, and Scott Steele, who is a member of our team that considers budget and program kinds of things.

We also have with us in the back Jim Donald, who is the World Agriculture Outlook Board chairman, so for technical assistance we will look to them.

Let me say at the outset that the Secretary is very empathetic to the needs of this Nation's farmers who have been substantially harmed by weather and weather that they cannot control.

I would like to take this opportunity to provide you, if I may, with some specific criteria that we think good, responsible disaster legislation should include. As you may know, the Secretary has indicated his dissatisfaction with H.R. 2467, the recently passed House bill, and in his and my opinion, the Department's opinion, the bill just is too broad in scope and potentially very, very costly. We have, however, stated that we are very sympathetic to the economic plight to the livestock and Winter wheat producers, both of whom have been adversely affected, and it has been demonstrated, it has been documented, that continued drought in some of the areas of the Great Plains certainly is going to continue to be a problem.

We have already taken a myriad of administrative actions, as you are aware, to help livestock producers, and do not believe at this time that additional legislation in the livestock area is needed, but the Secretary is certainly willing to remain open on that issue and to look at alternatives.

We are, however, prepared to consider all options available when we consider drought relief legislation or catastrophe legislation that would include administrative remedies of legislation which you are currently thinking about.

He believes that if we consider legislation, that we should have legislation that: provides financial assistance to producers of the 1989 crops seriously affected by drought; and that whatever help or aid we are able to give would not lead to a sequestration under Gramm-Rudman-Hollings, and it would provide an offset through real budget reductions for any additional outlays other than those associated with the drought-affected Winter wheat crop and those documented losses so far; also, he feels that we should include provisions to ensure that we do not have two separate programs for managing weather risk in the future. You have talked a lot about that this morning, and he feels keenly that we do not have two programs, crop insurance and ad hoc relief programs. It certainly is a distortion and creates an unsettled atmosphere in the farming community.

1989 CROPS AFFECTED BY DROUGHT

Mr. Chairman, the Department's June crop survey places wheat yield per acre in Kansas at about 35 percent below last year's yield. Yields in Nebraska, Oklahoma, and Texas are down 25 to 30 percent, and the yields in Colorado are down 15 percent. Other States also are affected and significantly so. The Federal Government has a role in providing assistance to farmers adversely affected by major disasters, such as the 1988–89 drought. However, as with businesses in other sectors, farmers and ranchers should be expected to assume some risk associated with their operations.

Virtually every year, there are some farmers who experience substantial losses due to local conditions. For example, despite a near-record national average cotton yield in 1988, disaster payments to cotton farmers will likely total $150 million for last year's problems. Localized, unpredictable risk factors should be assumed by farmers through their purchase of insurance or other means, rather than by taxpayers through ad hoc disaster assistance.

The administration would support a bill to provide assistance for 1989 crops affected by drought, since there is ample reason to believe that drought damage this year is still part of last year's national disaster.

Because of budget constraints applicable both to the Members of the Congress and to the administration, funding for disaster assistance will certainly be a challenge to both of us, and that seems to be at the crux of our concerns. Therefore, a broader multiperil disaster relief program such as that passed by the House would dramatically reduce the amount of relief available to producers that already have suffered documented catastrophic losses due to drought.

ROLE OF FEDERAL CROP INSURANCE

Federal crop insurance provides a means by which farmers may protect themselves against weather risk. Insurance for most crops was available this year at rates that already bear a considerable taxpayer subsidy. Producer participation increased significantly last year and, as you know, those participants are not enthusiastic about having taxpayers bail out those who chose not to participate. In addition, we will never have a viable crop insurance program if

we provide ad hoc disaster legislation each year for those who are uninsured. Therefore, if we have drought legislation this year, we should make it clear to producers that this is the last time the Federal Government will provide a two-track approach to covering weather risk, and you have already had considerable conversation about this issue. It is our wish that in the 1990 farm bill, we must either one, provide crop insurance and abandon ad hoc disaster relief programs, or two, in the alternative abandon crop insurance and provide ad hoc disaster relief when it is absolutely essential.

THE DEPARTMENT RECOGNIZES THE INDIVIDUAL PRODUCERS OF OTHER CROPS

In closing, the Department recognizes the individual producers of other crops. We have talked to Senator Cochran and certainly he has a case in his State. There may be cases in other States that have been adversely affected, that may be equally as deserving, and we are certainly considering ways administratively and otherwise that we can do what can be done under the constraints of the budget to handle those kinds of situations, but we do not believe that taxpayers should cover the risks associated with random local annual yield variations unless it is catastrophic in nature and unless it has some national impact.

Mr. Chairman, that concludes my testimony. We would be very happy to answer any questions that you may have. I did bring along numerous people with technical expertise, and I am sure that they would be happy to handle your questions.

Senator CONRAD [presiding]. Welcome, Secretary Parnell. It is good to have you with us today. Could you give us some indication of when you expect to have the midsession review numbers available?

Mr. PARNELL. My belief is that the midsession review numbers should be available on the 17th.

Senator CONRAD. So that would be next week?

Senator DOLE. Monday, yes.

Senator CONRAD. Could you tell us what the midsession review will be based on? Will it be based on current conditions or where we thought the crop was in June?

Mr. PARNELL. My impression is that it would it will be based on the June crop report.

Senator CONRAD. So that would be June 1 crop conditions to be reported in the June 11 crop report and as made available through the world agriculture supply and demand estimates of June 11, as well, so we would be looking at June conditions.

Could you tell us based on yesterday's reports how the situation for corn and cotton has changed?

Mr. PARNELL. I am going to defer, if I may, to John and have him articulate it.

Senator CONRAD. We welcome John Campbell. We worked closely with John when he was a staff member of the committee. It is good to have him back.

Mr. CAMPBELL. Thank you, Senator. As you know from the crop report yesterday, the wheat crop looked a little better, at least it

looks like we had a little more planted acres than we thought we were going to have, some shifting between winter and spring crops.

The corn crop looks a little worse and the cotton crop looks a little worse. So, that is kind of in a nutshell what the July report shows us.

Senator CONRAD. Correct me if I am wrong, but in reviewing the report, it looked to me like we had about a 400 million bushel reduction in corn and a 1½ million bale reduction in cotton.

What would you expect these reductions to do for outlays in the commodity programs?

Mr. CAMPBELL. Well, of course, you would expect the outlays ultimately at the end of the year, when you rack them up, to be less assuming that other conditions do not offset those declines.

Senator CONRAD. Let me pursue this with respect to the indication that Secretary Parnell gave us on June conditions. In my State, when you look at the wheat numbers, corn is down, wheat is up. It is very clear in my State, looking at June conditions, that the situation was quite favorable.

The reality that we confront today—and our State university has just done a survey—in 12 counties, we are facing 60 to 80 percent losses already. I just had the president of the North Dakota Farm Bureau in my office 2 days ago. On his farm, he said he has already experienced an 80 percent loss. Most of that loss has occurred in the last 2 weeks with extremely high temperatures and high winds.

In terms of outlays, what would be the result that we would see with these dramatically deteriorating conditions? What would the effect on outlays be?

Mr. CAMPBELL. Well, it is just like last year. As the crops decline, prices rise, outlays decrease.

Senator CONRAD. Could you give us a rule of thumb on what would happen with a 10 cent increase in the corn price? What would such an increase do to the corn program in terms of savings just as a rule of thumb?

Mr. CAMPBELL. It is about $60 million for every cent, so about $600 million for every 10.

Senator CONRAD. So we would expect $600 million in savings if we got a 10-cent move in corn prices. All of this, it seems to me would indicate that whatever savings number we come up with in terms of the midsession review, might be out of sync with the reality that we are experiencing, not because there is anything wrong with the midsession review or the crop estimates, just that the facts have changed. Certainly, that is the case in my State.

What, Secretary Parnell, would be your reaction to that?

Mr. PARNELL. Well, I think what you state is absolutely correct. It could have an effect. There may also, however, be compensating increases in expenditures, on the other hand.

Senator CONRAD. Where would those come from?

Mr. PARNELL. Feed grains, I think would be one area that we anticipate.

Mr. CAMPBELL. For instance, you could have an improvement in this report for August. You could change again in September. In other words, unless you are looking at in a 24-hour period, it will always change, as it did last year. The feed grain crop, for instance,

ended up being quite a lot better than we had anticipated even in September.

Senator CONRAD. Let me ask this. Were the savings last year greater than anticipated? I have a letter from Ewing Wilson that indicates total savings for fiscal 1989 of $8 to $9 billion. As I recall, USDA did not anticipate savings of that magnitude when we wrote the drought bill. So, in fact, the savings actually increased over what was anticipated.

Mr. CAMPBELL. Well, actually we did have originally $8 to $9 billion when we did the drought bill, which kind of leads us into a discussion about whether or not we call technical reestimates of the baseline savings or not.

As you remember last year, we knew when we got to conference that there would be $8 to $9 billion in savings, but we also knew that under the Budget Act there was no way that that kind of expenditure could be made.

So the conference committee had to scale the bill back to about $4 billion, 3.9 billion, and in fact, we have spent $3.8 billion up to this point on the bill.

So, maybe rather than focusing on technical reestimates to baseline, the driving factor here, even if the baseline was going up, is what can be accommodated under Gramm-Rudman-Hollings Balanced Budget Act when we come to the end of the line with respect to governmentwide outlays.

Senator CONRAD. Ultimately, that will be determined by the actual savings we realize as we move through this period. It will not be determined by a midsession review.

Mr. CAMPBELL. The way the Budget Act works, and the way both Congress and the administration have to deal with this budgeting process, is that unless the rules change, unless the Budget Act rules change, from now until the snapshot, August 15 I believe, the only thing that changes is laws that are passed by Congress.

So I do not know if these baseline estimates are going to make a whole lot of difference ultimately unless the Budget Act is changed.

Senator CONRAD. Let me just pursue this as this is an important point. In the past, has not the Department changed the midsession review numbers based on the later indications that come from the August review of crop conditions?

Mr. CAMPBELL. Under Gramm-Rudman 1, technical reestimates were allowed. Under Gramm-Rudman 2, it is our information from OMB and the Budget Committees that technical reestimates are not a legitimate way to essentially make savings.

If I might try to further clarify this, taking it out of the drought context, we have indicated that we thought that there would be probably be enough in the midsession review baseline reestimates to about equal what we expect disaster payments might be in the Winter wheat area, but even though there might be changes in the baseline estimates, that does not reduce, for example, the committee's instructions for reconciliation.

So both you, the Congress, and the administration are operating off of baselines and other sorts of economic assumptions that do not reflect absolute current conditions.

Senator CONRAD. Could you describe for us how the Department handled this problem last year?

Mr. CAMPBELL. What happened last year, of course, is that the midsession review was delayed by about 3 weeks, so that the July estimate was incorporated into the midsession review.

Senator CONRAD. What would prevent us from doing that again this year? Given what is happening, that is, dramatically deteriorating conditions in major crop production areas of the country, what would preclude us from delaying the midsession review, so we have the most up-to-date numbers available to gauge what the savings are?

Mr. CAMPBELL. Well, that would have to be something that would be worked out between your Budget Committees and the White House as far as whether or not they want to delay the legal July 15 deadline.

Of course, the other thing is that even if you were to delay the reporting date and incorporate the July 12 numbers, it does not necessarily mean that there would be any money, any money at all for drought relief, because that again would then fall into the next budget box, if you will, that being how much money is available for the entire Government.

Senator CONRAD. We have an additional problem, of course, in that the July numbers do not adequately reflect what has happened because there has been no adjustment since July 1. Much of the deterioration has occurred since then. So unless we were to have a more real time estimate, it might not be as helpful as it would otherwise be.

Let me ask this. Would the Department object to a delay in the midsession review? Secretary Parnell, what would be the Department's position? Would USDA object to getting more real time information, so that we had a better sense of what the savings are?

Mr. PARNELL. Our opinion is that it is not really up to the Department to say. I think that it is an administration decision as to whether or not it would be appropriate. We would certainly be willing to take that question forward.

Senator CONRAD. All right. Let me turn it back to the chairman.

Senator BOREN [presiding]. If the administration were willing to work taking into account the later trends that we have already seen developing, some of these statistical changes that have already occurred—and I gather that based upon these changes that we know about in the last 2 to 3 weeks that that would cause the outlays for commodity programs to be significantly less than the midsession review figure otherwise would be, at least we would assume that if these reductions of yields are as extreme as they are coming in—if the administration were to decide to work with us on that, and again we are all up against a deadline, we are trying to get a bill passed before we leave here for the August break and get it on the President's desk, and in doing so incorporate the very latest possible data as we are doing it, would the Department have the capability if we went into that kind of mode, all of us trying to work on a very fast track to update that information and get that included for us if the administration were to make that kind of decision?

Mr. PARNELL. I would assume so, and I, as I said before and I have heard you discuss here today, certainly the things that the Secretary and I would like to address are those issues that already have demonstrated consequences and we certainly want to be able to have the flexibility in anything that you might craft that would allow him to have some flexibility within the constraints of not triggering the sequestration of Gramm-Rudman.

Senator BOREN. Well, I am hoping that is what we can do. We will all be discussing this with Chairman Leahy who, as you know, has other responsibilities today, but what we are really caught between—and I think it is an honest situation, it is not a political situation at all—it is a matter of all of us trying to look after those farmers in our home States.

You have the demonstrated damage that has already occurred in States like Kansas and Oklahoma where we have people in a desperate situation. We certainly do not want to stand by and not have legislation completed and signed into law when we leave here in August.

We do not want to go back, and I certainly would not want to be in the situation of doing it because I think we would have been derelict in our duty to go back and say to him, well, I am sorry we could not get anything done for you, even though we have known for some time there is this damage.

On the other hand, I can understand the situation Senator Conrad is in, that if we do not act upon the latest possible information, where these figures already coming in the last 2 weeks, already a great increase in demonstrated damage in the Dakotas, for example, that he would feel he had shirked his responsibility to his constituents and those farmers in need in his area.

If we can find a way to act on the latest possible data, and get the administration to work with us and all of us gear up—it will take quite an effort—I think we could at least have the satisfaction that we had the best job that anyone possibly could do within the time constraints.

Then, as you suggest, you could leave open some additional authority up to a certain financial cap in terms of keeping us within the Budget Act to give the Secretary discretionary authority to deal with something that might occur beyond our ability to wait in the actual figures.

So, I hope that we will all be working on that, all of us around the table, talking with the administration and urging them to make that kind of decision. I think it is helpful to know that you feel that the Department could physically gear up to do this if this kind of decision were made.

Obviously, at some point you have to say, well, this is as far as we can go up to this date, because you have to write the bill if we are going to hit an August 4 deadline, but it would help us a great deal I think if we could get those later figures included.

Mr. PARNELL. There is absolutely no lack of commitment on the Secretary's part to work together with this committee to try to craft whatever is in the best interests of this Nation within the constraints of the budget. Certainly, he remains concerned about dealing on an ad hoc basis with every little catastrophe in a localized area that does not have national consequence.

We have had considerable conversation about those kinds of things. But where we are relating to those kinds of major consequences as a result of weather, certainly there is no lack of commitment on the Secretary's part to address that.

Senator BOREN. I appreciate that because I think if we can work in that fashion, that will do a lot to ease the very legitimate concerns around the table that each one of us meet the responsibility that we owe to our own constituencies, and I think we can do that. We all will be discussing that with the administration, I know, to see if we cannot get together and do that.

Senator Lugar.

Senator LUGAR. Mr. Chairman, let me just put out two or three thoughts that have occurred while Secretary Parnell was testifying. He has mentioned, and so had Deputy Under Secretary Campbell, the reconciliation problem.

That really hovers over this discussion much more than we have discussed today, but it is something all members will have to be thinking about, because we are going to be constrained, not only by the projected savings that these various reports suggest, but by the overall agricultural outlay as they bump up against the limits.

At this point, the committee really has not come to grips with the reconciliation situation and we really do not want to until we have to. [Laughter.]

But let me just say, our dilemma—and I think the general public needs to know this—is that if we are already at the limits, we do not have any money right now, zero. It is not 500, not a projection out into the future, or July 12 or August 12. There is no money.

Now, in the event that we decided to change farm programs—and I do not want to create a flurry of controversy by suggesting that we reduce target prices or do something of that variety—that creates more money, there is more money under those circumstances, but we are coming very close to those kinds of limits. That sort of works into this discussion, and it is an important factor.

The second point I want to make is that maybe if we get estimates for next week, or we shove it ahead 3 weeks or whatever we did last year, it will show in North Dakota that they have a disaster.

It may show in much of the Corn Belt that the corn crop is going like gangbusters. The moisture came, the projections even on fewer acres are for much higher yields, and that as a matter of fact, what were anticipated as savings has become losses.

Stated very frankly, this has always been the problem for the Winter wheat people in this discussion, that the projection as it was now shown gave a window of about $500 million of opportunity to try to solve that problem.

You may get another projection down the trail that shows that window closed and there is nothing there at all. Now, at that point, we get into the demonstrated need question as opposed to the projected problem.

Last year's disaster was "projected" from beginning to end. Nobody had a loss, all you could demonstrate was that you were going to have one in July and August when we discussed this issue.

You know, presently the Winter wheat people come in with a case which is a fairly strong one, that they planted in 1988, during

those situations, and they suffered a loss. The Governor has testified to that today, others may have.

But clearly, politically, the House has taken the position that there are many members of the Ag Committees, many Members of the Congress, a lot of people sitting around the table here, we all have losses, we all have constituents, we are the advocates for these constituents.

The House took a logical position, namely, why not set up a formula for all losses, all comers. That is what we did last year and there was some equity in that. But now the House also says if you do not have any money, or you have very little, you prorate it among what is left. You may get paid off 5 cents on the dollar on this project.

Those things I am certain are all clear in a way, but I wanted to focus them to make sure they were clear to you by listening to our discussion today, because we have some very tough decisions to make as to what is to be covered and whether there is any money at all if we are to do reconciliation and this bill simultaneously, as we are mandated to do I guess by Gramm-Rudman, or whether we want to make changes in the farm program that allow more money for disaster.

I think we need your help from the standpoint of USDA in terms of your own recommendations. We understand you loud and clear that the House bill was too expensive, it goes well beyond any bounds of hope of savings or anything else. It is headed for proration at some number of cents on the dollar, even if it was very satisfying to all the Congressmen who passed it and have sort of passed the burden over here.

As a matter of fact, a week from yesterday, I guess, the 19th of July is our one window of opportunity. The Chairman, because of the constraints of his trial, has set aside that date when our decision has to be made in markup. That is the only conceivable way we could get a bill to the floor before August 4.

So, hopefully, your recommendations and the Secretary's can come forward in the next 48 hours or so, because we really are up against it in terms of the markup vehicle for next week.

Mr. PARNELL. We certainly are sensitive to your request and will do the very best. We have made some recommendations. We think, of course, and to reiterate, and I do not want to abuse the time, but the demonstrated loss that has already occurred should get priority. A high percentage of the wheat harvest is already completed, done.

We know what we have in terms of loss in the case of wheat. The balance is anticipated except for the case of Senator Cochran's area, where there is obviously a flooding problem which has precluded planting. With those kinds of things, there are already demonstrated losses. Certainly, I think the Secretary has already said, yes, we think we need to move forward aggressively to do something about that.

In the case of whatever happens to occur down the line, our recommendation has substantially addressed the issue of offsets, real offsets in the budget that we would have to mutually agree to in order to try to fund an effective relief program.

Senator DOLE. I just want to underscore what Senator Lugar said and I certainly agree with him. I think many people do not know about this provision in the House bill that says well, it is budget neutral because we are going to prorate it, so you put in 600 crops—what was the final number?

Mr. CAMPBELL. About 550.

Senator DOLE. I guess USDA asked the House did you miss anything, they said we do not think so. [Laughter.]

So that is one way to make everybody happy for the moment, but in reality you have only so many dollars, and you have the proration amendment and people who thought they were going to get whatever they got last year, get 20 percent of that. I think it does put an extra burden on us, because the House makes it look very attractive, yet we want to be responsive as Senator Lugar said, and certainly everybody around this table wants to take care of their own State's problems but it still seems to me that we ought to be able to craft some legislation that looks at already demonstrated losses and authorizes benefits to other crops where you are going to have some loss.

Maybe it is going to be Iowa, maybe it is going to be North Dakota, maybe it is going to be Mississippi, Indiana, wherever. But we need to find the money, and I guess, as Senator Lugar said, we have also got to find $600 million in real savings, real savings for reconciliation, so we do have a problem.

I do not know whether we can play around with technical reestimates, but I would certainly be happy to visit with Mr. Darmon about that today, see if we can get him up here and meet with Senator Lugar and Senator Leahy and others and see what the White House might be able to help us on.

Senator CONRAD [presiding]. If we might pursue just for a moment the question of the estimates, because the midsession review is based on the June 11 report. The problem with using the report is that it reflects early July conditions, and we have seen dramatic deterioration, at least in our part of the Farm Belt since that time.

So, if we are going to have a real time estimate, it almost requires some special assessment to be made.

I do not know what the Corn Belt is experiencing. The most recent report shows a 400 million bushel reduction in corn. Obviously, that is significant savings.

So, it would seem that this is the time that we need very close cooperation between the Department, the Office of Management and Budget, and the relevant committees of Congress. From everything you have said, Mr. Secretary, it sounds to me that we will have that close cooperation.

Am I correctly interpreting what you have said?

Mr. PARNELL. Well, we certainly intend to cooperate in every way that we can. I guess it becomes problematic to us—and I go back to what I originally said, Senator Conrad—the demonstrated losses are something that we can know, we can have, we can feel, and we can touch. How we fund something for anticipated losses that may happen becomes more problematic.

The Secretary, just as he walked out, left one message with me and indicated that he wants to do everything he can within his

power to be as sensitive to these issues as he can without being irresponsible in the doing.

The budget is of significant concern and if anything that we do leads to sequestration, then we really have not done very much in terms of helping farmers, because it will affect all programs across the board, but absolutely we pledge whatever cooperation——

Senator CONRAD. Let me follow up on what you have said because this is a very important point. Does the Department feel that the savings from drought and flood should only be used for Winter wheat, and that other offsets like target price cuts are needed to pay for other crops? Is this the Department's position?

Mr. PARNELL. The reduction in estimates I think is a difficult discussion that we frequently find ourselves in because quite often we see savings, or what you consider to be savings, in CCC outlays, while our budget people see them as just reestimates that would be utilized in the overall context of our budget needs.

That makes it difficult because we are talking about two different things. If I have complicated that issue, maybe someone can straighten it out, but we have reconciliation needs, we have evolving events that may put demands on those, what you refer to as savings, it terms of crops that——

Senator CONRAD. Let me try to clear this up. Let's say we agree on whatever the savings level is. That is the first threshold question. The next question is what you do with those savings.

What I am asking is what is the Department's position as to the disposition of those savings, whatever they are, with respect to the various commodities affected. Is the Department saying that the savings agreed upon should only go to Winter wheat?

Mr. PARNELL. What the Department is saying, I think more importantly, is that any savings that should accrue should be spent on demonstrated loss and anything other than currently demonstrated loss has to be looked at in the context of what moneys are present in the future.

We have said in the text of my comments that we believe anything in addition to what is known in terms of loss should be handled in some way through offsets or other savings as they become apparent.

Senator CONRAD. Just so you understand, the farmers of my State and other regions, they start to really shudder when they hear that, because what they hear you saying is we are going to take care of those that have experienced loss in the sense they have had the harvest, even though the farmers of my region have already experienced a loss in many of my counties of 60 to 80 percent, but have not harvested. What we hear from what you are saying is we take care of the guys that come first, the guys that follow on later, good luck. I hope that is not the Department's position.

Mr. PARNELL. If that is what I said, it is not what I intended to say. I say we have to deal with what we know, with what is known, and do that in an effective way, budget considerations included, and move forward into the process.

If we find that we have losses in other areas—which it is very possible that we could—there could be additional moneys found through the reestimates, the midsession reestimates. There could

be certainly some offsets in some other ways that would allow us to accommodate.

But it is pretty difficult beforehand. It is not unlike what we did a year ago, in the 1988 process. That was a general loss and it was very catastrophic across the board, so it was a little easier in some sense to deal with it, but we believe that it can be dealt with, but we need to deal in a responsible way with what we know.

Senator CONRAD. I will go to my colleague, Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman.

I wanted to pick up on that, but first, I want to point out, Mr. Parnell, that we have a situation in my State that is a holdover from last year. Right now Iowa reports that we are about 93 percent short around the State, 93 percent of the farmers reported short on topsoil moisture, 99 percent are short in subsoil moisture. That is what we are lacking is the subsoil moisture.

We have several days of 100 degree weather. Right now the latest figure we have is that only 54 percent of the crop is rated as good. A couple of weeks ago it was 81 percent. That just shows how rapidly it has deteriorated, because there is no subsurface moisture out there whatsoever.

So it is going downhill very fast. Our hay and pastures have already been hit very hard out there, so we have lost our crop off of our hay and pasture lands.

Quite possibly, I think that the drought that is looming on the horizon in Iowa could be a lot more severe than last year, simply because we do not have the subsoil moisture. At least that saved us a little bit last year, and we do not have that this year.

So I look at this and I see this bill coming through here, and I have to ask where is the fairness and equity. When we talk about fairness and equity, well, last year when we put the bill through, we also covered those crops that had not experienced a drought—and you just mentioned that—and I will read from title II, Emergency Crop Loss Assistance.

We covered it "for the 1988 crop of wheat, feed grains, upland cotton, extra long staple cotton, or rice." We put wheat in there even though they did not have a loss, just in case we will put it in.

Now, my farmers are asking, wait a minute, if we did that for wheat last year, why can you not do it the same for them this year, and let's put all of the farms, let's put all of the crops in, just like we did last year, why can we not do that?

Mr. PARNELL. Well, my answer I guess remains the same, Senator. The budget constraints, I think sequestration, you are living with the same constraints that we are living with, and so we, in a cooperative way, are trying to find a way to do whatever needs to be done.

With regard to wheat in the last year's budget, Spring wheat was——

Senator HARKIN. There were some losses.

Mr. PARNELL. Yes, in Spring wheat.

Senator HARKIN. But you covered all wheat, you covered Winter wheat.

Mr. PARNELL. We did cover all wheat and I grant you that. What we want to do is to try to be as sensitive to those major catastrophes as we possibly can, and I think the problem is not mine or not

yours, it is ours and we need to work together to try to figure out a way to live within the constraints.

I guess we are not prepared to tell you what those anticipated losses will be or where those moneys will come from.

Senator HARKIN. Well, no one is in a position to tell you exactly what the anticipated losses are going to be, but we all know how this business operates around here. We always use the analogy of the train leaving the station, but I think it is very appropriate here.

We have one bill that will get through on drought assistance, and I doubt if we will have another one this year. It will be next year some time. What about my farms that harvest this fall, they are going to have to wait until next year to get something passed.

I do not see why we cannot put something in place right now. Last year we worked on this in a very good spirit of bipartisanship on both sides of the aisle with the administration. It got through. There was no hassle on this last year.

I think the real problem we have—and I think Senator Conrad has put his finger on it—is the figures we are talking about. Quite frankly, I have to be very frank with you, not in any kind of antagonistic manner, but I just believe that the figures that we are seeing from the administration on the potential savings are just not accurate, they are just not. I think OMB is skewing the figures. I am not saying you, but I think OMB is doing it for their own budget kind of work, and they are taking it out of the hides of the farmers.

For example, June 1, the CBO figures show reduced spending in the cotton program of $365 million since the January 1 estimate. For wheat, the reduction was $1.2 billion. For disaster assistance, under the 1988 act, a reduction of $100 million.

What do you say about these figures that we get from CBO? Do you agree with them? What we have to do is we have to settle on what figures are accurate before we can do anything else, it seems to me.

Mr. PARNELL. Under the Gramm-Rudman exercise, OMB seems to be in the driver's seat in this process, and when we have to look to them to the numbers, we are hard-pressed to use any other numbers than those that they agree with, so you and I are both going to be bound by those numbers.

That is the best answer I can give, Senator, at this time. We think that we will have to work in a cooperative way with them and try to encourage them.

Senator HARKIN. Well, I would like to work with OMB, but I want to make sure that—I am sure that there is observable data out there on what has been saved, and if OMB will not admit to those, and if they are trying to skew those for other purposes, then I think all of us here will have to take OMB to task and let them know that we are not going to let them skew our programs of what we have to do to meet the legitimate needs of a natural disaster out there simply because OMB wants to play around with numbers.

Mr. PARNELL. I do not think that OMB is playing around with numbers, Senator. I think they feel their responsibility keenly as do you and as do we. We think until the book is finally written, until we know what the crop levels will be—in some cases they say

we are going to have overexpenditures, in some areas we are going to have what you refer to as savings and we refer to as reestimates, but on balance that all has to push at the end—and I think until you know what actually is occurring out there, it is pretty hard to depend on anticipated numbers without really knowing.

But at this point in time, we have used the June crop report numbers to try to do the best job we can to make an estimate, and then there will be others as July, August, and the best one, of course, will be in September, which will be too late.

Senator HARKIN. But when CBO says we already have savings of about $1.6 billion from the January 1 estimate, and we are still operating under that, it seems to me—I do not know where we get this figure, we only have $500 million to play with.

I think we have a lot more than that in terms of the savings that have been realized in this year that we are in right now, in fiscal year 1989.

I have a couple of other followup questions I want to ask you about, Mr. Secretary.

One has to do with livestock feeding. Right now the amount of feed available under the emergency feeding program is woefully inadequate. Right now they are allowed 3 pounds of feed for mature sow, 10 pounds of feed for mature cow. These are totally insufficient.

I am going to work on this drought bill because they are affected by this to see if we can get these figures up a little bit. It is inadequate and I would just ask you to take a look at that and see if you can help us in reevaluating those levels and getting them up a little bit.

Mr. PARNELL. Senator, John has a point to make, and I think it is an important point, on the calculations per animal unit.

Mr. CAMPBELL. I would just like to say that we at the Department are reviewing the entire livestock feed program internally. One of the great complications or misunderstandings is that this 10 pounds is a per-animal unit. It is obvious that a calf is not the same as a bull, isn't the same as a cow, and when it gets down to the farmer level, they do not get the same amount of feed, although on the forms it appears that way because a cow is worth 1.3 animal units and a calf is worth .3, and on and on.

So, we are going to try and get that straightened out so it is less confusing and review those feed levels to make sure they are up to date.

Senator HARKIN. Well, I am glad to hear that. That is good. If you have something before we move this bill through here, I would like to—I am anticipating something in the bill, but I do not want to do anything out of line with what you are doing.

Mr. CAMPBELL. Well, we should get together with you and tell you what we are thinking about there.

Senator CONRAD. We are going to have to recess now for 20 minutes. We have two votes back to back. That will probably mean 20 minutes.

If you could stay, we would very much appreciate that. A number of the other members have asked if you could please stay for some questions that they have.

Mr. PARNELL. All right.

[Recess.]

Senator CONRAD. The committee will return to order.

We will go to my colleague, Senator Kerrey of Nebraska, for his questions.

Senator KERREY. Thank you, Mr. Chairman.

Mr. Parnell, in the Secretary's confirmation hearing—and Clayton and I of course have known each other for quite a while—we agreed that when there was disagreement, we would say so honestly.

I would like to ask you right at the start if you are familiar with the speech the Secretary gave a couple of weeks ago wherein he asserted that if he answered every request coming from farm State Representatives, that the budget deficit would be two or three times larger than it is right now.

Are you familiar with that speech?

Mr. PARNELL. Yes.

Senator KERREY. I assume you have received some mail or phone calls on it already. Let me just wade in with my comment on it. It seems to me that it is the sort of thing that ends up misleading the public.

I am not going to challenge the Secretary to come forward with a list of things adding up to $2 or $300 billion. There are many of us that have suggested ways actually to reduce the budget deficit. But one thing that I would urge you and the administration to do is to go back and look at the trend for farm program costs.

Those costs were $25 billion in 1986, and they have been going down steadily every year since then, and the estimate for 1990, as I am sure you know, is around $11.5 billion. There are ways for us to reduce that budget even further, and it seems to me that as I go home to Nebraska, my people are really asking for ways to reduce it further.

We have some philosophical disagreements that sometimes make it difficult for us to do that, and I think it is very important to make that clear to people. The farm program can be made less costly than it currently is except for some philosophical disagreements.

We saw a terrific example last year in the midst of the drought as to how to do it. There is a direct relationship between grain inventory and the cost of the program.

I want also to make pretty clear that I believe there is a real purpose for the disaster program that very often gets misunderstood, particularly by people that are outside of agriculture or outside of areas that are heavily dependent upon agriculture.

I understand that I am giving you a rather sophomoric lecture, Mr. Secretary, but I think it is important to lay a philosophical foundation here. There is not any other manufacturing industry in our Nation, or in the world, for that matter, that will come forward and ask for drought assistance, because there is no other manufacturing industry that is affected by the weather. None.

And it is the reason that we have any Government involvement at all. It is the first reason that we do, because of the wild instability of income that not only affects producers, but every single community.

I would argue that the action taken by this committee in 1985 to produce a farm bill that was exceedingly expensive is the single biggest reason we have even a fragile recovery going on right now. That bill did, in fact, stabilize income, and this disaster relief effort itself is an attempt to keep that stabilization of income continuing, because that relief not only stabilizes income for producers, it also keeps prices relatively stable for the consumer, as well.

We do not want—and I am sure you know this—we do not want you in a position where you have to micromanage this thing. The marketplace is much too big for us to do that. We understand that, but there is a philosophical basis for seeking this assistance. I hate to get in a position where people think that we are just asking for more and more money, because the fact of the matter is that is not the case.

The fact of the matter is that the farmers and ranchers in my State are fully prepared to participate in deficit reduction, and they have not, for the most part, objected to the President's recommendation for a percentage reduction in the budget for agriculture.

They are willing to participate. So it is important for me to establish that as the groundwork. Moreover, Mr. Secretary, I find all this discussion about OMB's numbers and the concern about the budget and all to be a little bit disingenuous.

You and I both know that the Gramm-Rudman sequester we are both referring to involves the next fiscal year, not this current one.

Now, you already advanced deficiency payments into this fiscal year so as to reduce the deficit for next year, and the same thing will apply to whatever this disaster program provides.

The payments, particularly the ones that will be applied to spring-planted crops, are going to apply in the same way that we found some savings this year. I think it is awfully important for me to lay that groundwork.

I see John Campbell disagrees with my statement.

Mr. CAMPBELL. No, just a bit confused.

Senator KERREY. You are a bit confused?

Mr. CAMPBELL. Are you saying that the disaster payments will come in 1989?

Senator KERREY. They will come in 1990.

Mr. CAMPBELL. Right.

Senator KERREY. And they will be paid during the next fiscal year.

Mr. CAMPBELL. Yes, 1990. Fiscal year 1990 is when the payments will be made.

Senator KERREY. The cash payments for Winter wheat will go out in fiscal year 1990.

Mr. CAMPBELL. The disaster payments, if any?

Senator KERREY. That is correct.

Mr. CAMPBELL. Fiscal year 1990, by and large.

Senator KERREY. I do not want to dwell too long on that point, but OMB has the capacity, as you and I both know, to move those numbers around between fiscal years. They have already done that in order to get savings so that we can meet the Gramm-Rudman target for next year.

They have advanced the deficiency payments into this fiscal year because this fiscal year does not count for the purpose of the

Gramm-Rudman target. They have advanced the deficiency payments, so as to free up some savings, and they can do the very same thing with disaster payments.

They can move those numbers around. They have in the past. It is possible for OMB, if they want to reduce the deficit, to shift those numbers around based upon what we are currently doing in this particular fiscal year.

By the way, I do not want to dwell on this point. We can argue that later. I want to make sure you understand what problems face our citizens and the reason that we are seeking disaster assistance.

Our income is going to be reduced as a consequence of the disaster. I share the concern that Senator Dole and other people have already expressed on behalf of Winter wheat producers, and I think it is paramount that their loss be addressed first.

I know that you and the administration have indicated a willingness to look favorably upon Winter wheat losses. Those producers unquestionably face a disaster.

It is a disaster because of the effect on income, and we are able, fortunately, to deal with it, because there is some immediate savings in price support payments, although there is some dispute about what those savings are.

The second area of concern for me, for my State, and which has been made worse by the recent fires in the northwestern part of Nebraska, is in livestock. Again, the problem has been addressed by the chair and others that have pointed out some problems that we have with the emergency feed program and the feed assistance program, but again, what we are dealing with is the capacity to generate income.

The livestock people have moved an awful lot of calves out early and very soon they are going to be dealing with their capacity to generate income, which is their cow herd.

I share some comments that I have heard the Secretary make, and that is that there is not much that we can do to make it rain, and it is only rain that in the end is going to produce some grass for us.

But I do believe that we will be able to provide some specific suggestions—although they may not solve the problem entirely—with regard to the emergency feed program, transportation assistance, and so on, that might just help us bridge the gap somewhat.

Finally, I share the concern that I have heard expressed here by the chair, that the spring-planted crops could be moving into a drought condition, and if they do suffer reduced yields, my feeling is that the proposal that was made earlier by Senator Lugar will, in fact, enable us to resolve the apparent conflict that the committee has and any potential conflict that we may have with the administration, because I think we will end up with the required savings.

If there is a reduced yield, it is very likely that we are going to end up with price support savings that will offset any of the cost of disaster payments.

I think it is important to redundantly say what I said at the start, and that is that the reason we are doing this is to keep producer income relatively stable.

We are not trying to pile on all kinds of costs that will add to the deficit. I think that—again, I am lecturing on this—my people understand that we need to reduce this deficit and that deficit reduction, among all other things, is likely to help us the most, because it is likely to have a very positive impact on the cost of borrowing, and that perhaps is the most beneficial thing that I could do for the people of Nebraska.

So I want to give you a chance now to respond or to make any comments you may wish to make.

Mr. PARNELL. Well, only to say that we are equally as concerned of trying to fit what is an appropriate disaster relief program into the budget parameters that we have to work with, and we are desperately searching for ways to do that, and we will certainly do everything that we can within our power to make that work.

I said in my testimony, and continue to say, that beyond the Winter wheat area, it seems to me that what we are going to be forced to do, both you and I, is to look at offset provisions to be able to do that.

Now, I think we probably would be well served to sit and talk——

Senator KERREY. Let me make it clear because I think I did perhaps confuse things a bit when John came back with his question to me, the sequester is not going to apply because the payments are going to occur in 1990 on the crops that the Senator is referencing. Yes? In what way does the sequester occur?

Mr. CAMPBELL. The sequester will occur.

Mr. PARNELL. Well, there is no way any of us can tell whether a sequester will occur in fiscal year 1990.

Mr. CAMPBELL. Right.

Mr. PARNELL. So I do not think we would want to leave the impression that even though the disaster payments are coming out of the fiscal year 1990 budget, there is no way of anyone ascertaining at this point whether that would create a sequester or not. There is a $10 billion margin. That is dependent on future decisions and also the economic reality that we confront at that time.

Senator KERREY. I do not find the sequester argument to be very persuasive, for a couple of reasons. The first point is that we are already looking for substantial reductions in agricultural spending in order to satisfy the need to reduce the deficit.

This committee is participating substantially in deficit reduction already. The second point has to do with the advanced deficiency payments which the administration moved in order to show a reduction in the fiscal 1990 deficit.

OMB is going to have a difficult time with me if it claims we cannot make disaster payments because the numbers simply do not work, when I have seen what they are able to do when they want to make them work.

Mr. PARNELL. Does anyone want to comment?

Mr. CAMPBELL. I just think it is important to straighten out this question about sequester, and we have someone on the Budget Committee here to help, but even though this exercise takes place in fiscal year 1989, it does relate to fiscal year 1990, so that outlays that occur in fiscal year 1990, be they from disaster relief or an

S&L bailout, or whatever it is, are all part of this upcoming exercise that we have to go through.

Senator CONRAD. The bottom line is these numbers count against the totals. There is absolutely no way of predicting whether or not those numbers lead us to sequester, because sequester is determined by a review of what is occurring as we go through the budget process during fiscal 1990 and whether or not we are within the $10 billion tolerance as provided for in the Gramm-Rudman Act.

Senator KERREY. But I remain committed to the belief that this committee understands that. This committee is already participating, I think beyond what most committees are, in budget deficit reduction.

In addition to that, OMB has not demonstrated a great deal of difficulty making the numbers work when they want to make them work. When they have an objective to hit, which is to show that they have actually reduced the deficit, they find all kinds of clever ways to move the numbers around.

What I am suggesting, Mr. Secretary, is that I just do not find myself needing to lay down any credentials as to my capacity to participate in deficit reduction, because I already have a tough sell at home, and when we get into budget reconciliation, we are going to have a tough time.

But most of us are willing to do that, because we understand that if we do not get that deficit down, we are going to suffer in other ways as a consequence.

We have demonstrated our willingness to do it, and most of us have seen OMB demonstrate the capacity to be enormously creative when they want to, when it serves their interests.

So, I think it is very difficult for OMB to talk to the Agriculture Committee and say you guys have to be more concerned about the sequester. And, I think it is particularly unfortunate that Secretary Yeutter happened to make the statement that, if all the requests he had were approved, we would have a doubling or a tripling of the budget deficit, because this committee has been going in the other direction. This committee has been participating in deficit reduction.

Senator CONRAD. Mr. Secretary.

Mr. PARNELL. Thank you. I have very little to comment on in that regard. The Secretary's and my concerns continue to be the same, that we try to reach those disasters that are absolutely essential, and to do whatever is responsible, and certainly we intend to cooperate in every way to try to do that within reason.

Senator CONRAD. We will go back to Senator Harkin. His questioning was interrupted by the votes.

Senator HARKIN. Thank you, Mr. Chairman.

As I said, Mr. Secretary, before I left, I wanted to follow up on a question dealing with the emergency conservation program which provides assistance for watering livestock, but it is only available for animals on range or pasture under current USDA rules. Therefore, it is of really no value at all to pork producers.

Now, again we have a situation in Iowa, because of last year's drought, the carryover this year, a lot of ponds have dried, we have wells that are dry, and since Iowa is the No. 1 pork producing

State in the Nation, we have a lot of pork producers out there who see that if you were grazing animals out there, you could get assistance, but for confined animals like pork, you cannot.

I am wondering, two questions basically: One, are you considering any changes in relation to this program to allow benefits for animals that are under confinement? Second, is a statutory change needed, or can you change it by rules?

Mr. PARNELL. Well, it appears to me that the provisions that we now live under are based in law, and I could be wrong—and we will research that—but our understanding is that it provides for range-raised cattle, and the rationale that was used in developing that piece of law went to the issue of trying to disperse livestock in range conditions, so as not to damage the range.

That doesn't do you any good in your situation, but cattle in confinement were simply not addressed. It was not an argument that was brought to bear at the time, so it is my belief—and we will certainly get back to you, Senator—it is my belief that the foundation of that is in the statute and that it may need a correction there.

Senator HARKIN. So, you are not looking at any rules' changes right now because of that?

Mr. PARNELL. We just simply have not addressed it. It looks like all of the water assistance programs are found in the statute, and we need to——

Senator HARKIN. Well, it is my intent to try—I do not know, it depends on the wishes of the committee—to try to add some provision in the drought bill that goes through here that would allow for them to have bona fide wells drilled. Obviously, I can understand why you would not want to be doing them for houses and things like that, but for someone that has a bona fide pork production facility and hogs in confinement, a well that was drilled for those purposes, I think ought to be allowed, but obviously, if it can get done through a rules' change, that would be the best way to do it.

So, if you would let me know in a short time here, I would appreciate it.

Mr. PARNELL. I would be happy to get back to you on that, Senator Harkin.

Senator HARKIN. All right. I appreciate it.

Thank you, Mr. Chairman. That is all I have.

Senator CONRAD. Senator Cochran.

Senator COCHRAN. Mr. Chairman, thank you very much.

Let me, first of all, express our appreciation to the Secretary and others from the Department for being here today to discuss this situation with us. I think it is a matter of some urgency. As a matter of fact, during our meeting yesterday, I was glad we had a chance to talk with the Secretary.

Some of us were able to meet with you and the Secretary, and Secretary Campbell, as well, to talk about some of the specific situations that exist right now that have recently developed.

During this year, a lot of attention has been paid to the Winter wheat problem in Kansas, and very appropriately so. I think Governor Hayden's comments this morning were very clear and persuasive about the extent of the damage and how important it is for action to be taken by Congress and/or the administration to relieve

those burdens that the farmers in that area face as a result of the drought.

But I think what has happened in recent weeks ought to also make it just as clear that there needs to be a very sensitive response by the Government to problems that exist in other parts of the country, as well. You should recall my discussion of what I saw when I was in Mississippi during the 4th of July break.

We have about 200,000 acres of cropland underwater right now in Mississippi. This is a recent development, which is a very stark reminder about the seriousness of weather conditions in that part of the country.

We have asked specialists at Mississippi State University just this week to do an analysis of what kind of economic impact this is going to have on agriculture in Mississippi. Today they just sent me a copy of their report.

Their estimate is that this is going to cost the State of Mississippi about $402 million. These are overall crop losses as a result of the bad weather conditions just in Mississippi. The two hardest hit crops will be cotton and soybeans.

Cotton will sustain losses of almost $200 million. The specific number they have in their estimate is $182 million. Soybeans will lose less than $130 million, but still a very big number.

These are very difficult problems that our farmers face right now, and I hope that the administration can support some effort by the Congress to define new authorities if they are needed to provide assistance to help farmers overcome the problems that they are sustaining by reason of this bad weather.

I know that yesterday we suggested—and I still think this is a good idea—to look at existing authority and see what kind of assistance can be made available now, or what kind of definition can be given to farmers of the kind of assistance they can expect under existing authority from the Department of Agriculture.

Now, if after seeing that, we determine that there needs to be more assistance available—and I think we need to do this quickly—then the legislation that is currently under consideration can be modified to provide those authorities for additional disaster assistance where it is obvious that the assistance is needed.

Now, I heard a lot of discussion about the estimates of savings in crop programs because of the fact that we do not have as many acres planted to this or that crop as we did last year, and that is certainly true in the case of cotton. I think you can look at the Department's current figures and see that the plantings for cotton are down substantially, about 16 percent, according to your own estimate, from last year.

This is your Special Secretary's Summary right here. Down in the last paragraph, it says, "Cotton planted area for 1989 is expected to total 10.5 million acres, down 16 percent from 1988."

You add to that some other figures that we get from CBO, and we see that the outlays for the cotton program are going to be substantially reduced in fiscal year 1990 because we do not have as many acres planted to cotton. It has been estimated that savings approximating $950 million could be realized in the cotton program alone in fiscal year 1990.

This is relevant, I think to a consideration of whether or not we will have funds available to provide disaster assistance.

I understand that the technical way you calculate the savings that are credited to this committee or to programs under the jurisdiction of this committee do not necessarily take into account these fluctuations in outlays.

But within those realities, within the constraints of the budget realities that you pointed out during your testimony, I am convinced that we can find a way to pass legislation or to take action as an administration that will respond to these problems that farmers have, that are very real and are very meaningful to them. Whether or not it is of the dimension that the drought problem was last year, we do not know yet. It is probably not, we hope it is not.

But what we do know is, for those who are affected, it is just as serious, it is just as devastating, and the Government's response ought to be just as sensitive and just as forthcoming as it was last year when trying to decide what kind of assistance is made available and how we go about defining eligibility, measuring the amount of damage, figuring how to do this fairly, making sure that those who have crop insurance and who tried to protect themselves from these kinds of things are treated accordingly, that they get a better deal than someone who did not take advantage of crop insurance or other ways in which to minimize their own individual losses.

But I am hopeful that the administration can work with the committee, crafting a bill, if we can, that will deal with the Winter wheat problem, but still provide the authorities necessary to deal with other problems like the severe flooding in the Southeast.

I hope you can tell me that you all will work with us and we can look forward to your cooperation in that effort.

Mr. PARNELL. Well, I think, Senator Cochran, as the Secretary mentioned to you yesterday, he is very empathetic to what is happening in that end of the country and it does appear to be a major consideration for you and for the country.

I think that there is no question that he will be as sensitive to those things as he possibly can. When we came back from that meeting, we immediately set with the task to see what we could do in the discretionary programs, and so forth, that are available to us.

He additionally said that we need to get our heads together to try to make sure that we do everything that we can within the constraints of the budget again, and to do what is responsible in this area.

So, I think you can be absolutely assured that within parameters, the Secretary will be very, very sensitive to what is going on, particularly when it relates to a major, major catastrophe like we seem to have going on down there.

Senator COCHRAN. Thank you.

Thank you, Mr. Chairman.

Senator CONRAD. Maybe I could just follow up on some of the thoughts that you expressed. First of all, on the question of savings, just as one example, CBO's number is $365 million on cotton.

The Cotton Council says it anticipates the savings at $700 million to $900 million.

Senator Cochran just cited a savings potentially of $950 million. This is the kind of discrepancy that I think suggests there is going to be adequate room to do what needs to be done to meet the legitimate needs that are out there.

If on cotton alone, we have a savings level of that amount, obviously, that provides great room for us to do what needs to be done here.

Further, I would just like to draw the Secretary's attention to a letter that Senator Leahy sent back in June on the question of the Secretary's discretionary authority. Under the Agricultural Act of 1949, section 107D(c)(2)(d) provides the Secretary with authority to provide disaster payments to producers of commodities who have suffered a significant loss because of a disaster. The type and amount of payments are not specified.

As the chairman indicated, it would seem that any payments offered under that provision could be calculated similarly to those payments under last year's disaster bill.

That suggests the possibility of a 2 fiscal year approach. In other words, under the Secretary's discretion, you could deal with payments that still could be made in fiscal 1989 on Winter wheat, with similar provisions to be provided for the spring crops out of the fiscal 1990 calculation.

That is something I think we all ought to look at before we reach a conclusion on what we are going to do with the problems that we confront.

Mr. PARNELL. We are looking right now. In fact, John Campbell has been looking at the discretionary authority. It has been rarely used, but it can be used, and you might like to comment on that.

Mr. CAMPBELL. As you know, in the response, if it is available there, we indicated that the authority is rather broad in some respects, but it is rather narrow in other respects.

Specifically, only eight crops are covered under the authority, and only participants in the farm programs are covered. Even if you were to try to, even in the wheat category, participating wheat farmers, you would have some difficulty splitting it between Spring wheat and Winter wheat.

Having said that, there is also the difficulty of the rules that are currently in place by which those payments might be made. We looked at this option and thought that it would be very difficult to get payments out in this fiscal year, given that you would have to come up with another rulemaking, go through that procedure, gather the data from the counties, and make the payments by the end of September.

Also, last year our experience was that farmers did not come in on day 1, they took some time to come in. So, it would be difficult, we thought, to make those payments in fiscal year 1989.

Senator CONRAD. Well, it seems to some of us that this is another method that we have if we are really serious about getting this job done, of meeting a legitimate need. We have many competing pressures here and in the next 10 days we must work together to try to resolve the problem.

Let me also just sum up by saying I think we have made remarkable progress here today. Clearly there is a recognition that there are losses other than Winter wheat that are going to have to be addressed.

We certainly heard from our friends in the South that they have legitimate needs that have to be dealt with. Obviously, those of us in spring crop areas are faced with very real losses, that are going to have to be addressed.

It is also clear, I believe, that savings that are going to be announced as based on the midyear review, will not reflect the most recent reality and are probably going to understate, perhaps substantially, the actual savings that we are going to realize.

There also appears to be an agreement for us all to work together in the coming days to find a way to meet the legitimate needs that are out there.

I want to thank the Secretary and the representatives of the Department for being with us here today and for being forthright, and also for showing this attitude.

I also want to thank Senator Lugar and Senator Dole for showing a willingness to move and understand the other parts of the country that need to have their problems addressed, as well. I really do think we have made some substantial progress here today.

I want to thank the Secretary and those who have accompanied him.

Mr. PARNELL. Thank you for the privilege of appearing before you.

[The prepared statement of Mr. Parnell appears at the conclusion of the hearing.]

Senator CONRAD. We are going to the next panel of witnesses: Carl Fanning, extension soils specialist from North Dakota State University; the Honorable Dale Cochran, the secretary of agriculture of the State of Iowa; and Don Waller, the president of the Mississippi Farm Bureau.

If the three of them could come forward and we will call on Senator Harkin to introduce the secretary of agriculture, and then we will proceed to have the testimony of the three witnesses.

Senator HARKIN. Thank you, Mr. Chairman. I have to apologize. I have a radio show going to Iowa in 5 minutes, and if that window closes, I do not get my radio show done with all my radio stations out there. I just wanted to commend to you the testimony of our secretary of agriculture, Dale Cochran, a long-time friend of mine.

Here is an individual that was an extension director for a long time in Iowa. He was in the Iowa legislature for 22 years, a former Speaker of the Iowa House. He was chairman of the House Agricultural Committee in the Iowa legislature for 4 years and he was elected secretary of agriculture in 1986, so he is a farmer, he is a hands-on farmer, has his own farm, and here is someone that knows first-hand what is happening in Iowa, and I am sure the States surrounding Iowa. I commend to you his testimony and certainly any questions that you might have as to the situation that affects our farmers in Iowa.

Dale, I have just have to apologize. I have to go take care of this. Maybe I will get to see you later on this afternoon.

Mr. COCHRAN. We have talked about these things on a number of occasions, Senator.

Senator HARKIN. I appreciate your being here.

Mr. COCHRAN. Thank you so much for inviting me. I appreciate that.

Senator HARKIN. Keep up the great work.

Senator CONRAD. We will proceed. It is my intention that we go to each of the witnesses for a review of their prepared statements and then we will have time for questions.

I would ask, in view of the lateness of the hour, that you try to hold your comments to 5 or 6 minutes, and that will leave time for questions.

I want to welcome Carl Fanning, extension soils specialist from North Dakota State University, here today. I want to commend you for exceptionally good work under difficult circumstances.

Once again, NDSU has turned around information that is invaluable to us in evaluating the problem that we face. You have done it very rapidly and in a very credible way.

I, for one, want to publicly commend you and thank you for doing that.

STATEMENT OF CARL D. FANNING, EXTENSION SOILS SPECIALIST, NORTH DAKOTA STATE UNIVERSITY, FARGO, ND

Mr. FANNING. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I want to thank you for inviting me in to testify on drought conditions in North Dakota. In addition, I bring you a report from the No. 2 wheat producing station in the Nation.

IN NORTH DAKOTA, THE 1988 DROUGHT HAS BECOME THE DROUGHT OF 1989

I would like to repeat remarks that have already been made, that last year's drought really did not end. In North Dakota, the 1988 drought has become the drought of 1989. As you know, last year's drought was the worst that this country has seen in 50 years, and North Dakota was the hardest hit of all the drought States. What is probably important to realize is that the past winter brought no improvement. We saw lower than normal snowfall and a limited snowpack, and rainfall this far in the season has been below normal.

SERIOUS CROP LOSSES

The result of this is that farmers in North Dakota have already suffered serious crop losses, and we have every reason to expect further crop losses within the next few weeks. All or parts of 13 counties in the south central and northwest areas of the State have essentially lost their crop. These losses are identified in my prepared statement on the map that is there, identified as production areas that have lost 60 to 80 percent of their crop. I would also add that conditions are changing very rapidly. The rest of the State is being affected outside of that area. The map was prepared on July 6. It has been hot and dry in North Dakota since and conditions have gone downhill. If you will notice, there is a shaded area on

the map in the central area and down in the southwest corners. In visiting with the county agents yesterday, those losses in those areas now stand at 50 to 60 percent. Realize this was a map prepared on July 6, and 6 days later those losses have almost doubled. Let me stress that these are crop losses we have already suffered. These are not projections, but actual crop losses. We know they are there.

The subsoil moisture in two-thirds of the State was never recharged after last year's drought. Those are the areas in the State where crops have suffered the worst losses so far. In the remaining third of the State, the crops look pretty good, but there is not enough water there to bring those crops to maturity. We will need average or better than average rainfall through the rest of the growing season to bring those crops in. Unfortunately, the USDA long-term forecast is for lower rainfall and high temperatures. It is important that we identify the losses we have suffered—now, to this point—are primarily in our Spring wheat, Durum and barley crops.

Row crops around the State are also at risk in those areas where the small-grain crops have been stressed. Because subsoil moisture is short, our soybeans, dry edible beans, sunflowers, corn and other row crops are going to run out of water in the next 10 days to 2 weeks without substantial rainfall.

What we are seeing today in North Dakota is really the tip of the iceberg. The effects of drought are cumulative. We know from last year that these losses snowball as time goes on. For example, the small-grain damage that we have already seen does not take into account damage by high temperatures. Even in areas where we still have moisture, high temperatures have really already hurt the crop. Temperatures of 96 degrees or higher kill pollen in developing grain, leaving heads and plants sterile. Basically, heads that form do not fill with grain. We know we have crop damage. We have not been able to get into the fields to assess the damage; so these losses are not reported in the materials I have given you.

THE SITUATION FOR OUR LIVESTOCK PRODUCERS IS EQUALLY GRAVE

The situation for our livestock producers is equally grave. The pasture in large sections of North Dakota is gone. Our ranchers put up hay when they can; and they normally carry a year's worth of hay in reserve. Because of last year's drought, the reserve hay stocks are gone. Because of this year's drought, limited hay will be produced. The result will be that both dairy and our beef cattle producers will end up selling off herds. We expect hay prices to rise and become prohibitive.

The prepared statement I have submitted gives you facts and figures, and goes into some of the additional concerns that we face in North Dakota. I hope I have been able to give you some idea of the severity of our problem.

THE HUMAN SIDE OF PROBLEMS GET LOST AMONG FACTS AND FIGURES

Let me close by saying that sometimes the human side of problems get lost among facts and figures. I participate in educational programs all over the State during the winter months. I see the

stress of farm problems first-hand. I see it in the grower's eyes when I talk to him. I hear it in the questions they ask when they try to understand new technical management tools. I hear it over the phone when they call asking for advice. The stress these growers face is real. The people of our State have suffered real hardship during this last year's drought. And as I said before, the drought really never ended.

Thank you, Mr. Chairman. I would be happy to answer questions.

[The prepared statement of Mr. Fanning appears at the conclusion of the hearing.]

Senator CONRAD. Thank you very much, Carl. What you have said is absolutely the case.

I have been out in the State every weekend for the last five weekends; and the deterioration is the most dramatic I have ever seen. We went from a situation in which there appeared to be some hope. But the rains did not come. The heat did. The wind did. And the result has been an extraordinarily serious situation, which you have outlined very clearly for us. I want to thank you for that.

Next, we will go to Dale Cochran, the secretary of agriculture of Iowa; and then move to Mr. Waller. Questions will follow.

STATEMENT OF DALE M. COCHRAN, SECRETARY OF AGRICULTURE, IOWA DEPARTMENT OF AGRICULTURE AND LAND STEWARDSHIP, DES MOINES, IA

Mr. COCHRAN. Thank you, Mr. Chairman. I appreciate it. And to you, Senator Cochran, you have a very good name.

Senator COCHRAN. Thank you.

THE CURRENT STATUS OF THE DROUGHT SITUATION IN IOWA

Mr. COCHRAN. I very much appreciate this opportunity to be with you today to talk about the current status of the drought situation in Iowa. I wish we did not have to talk about it, frankly. I thank the committee for your indulgence and your patience, and your sincerity to address this particular problem, because I think it is something that is very serious out there.

A large portion of the United States, west of the Mississippi River, does have some extreme drought conditions this year, which we have heard a lot about today.

This marks the second straight year of below-normal rainfall for most of Iowa. In Iowa, we are really not used to problems of drought. That is the reason we do not have much irrigation in our State; very, very little irrigation, as a matter of fact. Statewide precipitation during the first 6 months of 1989 is down by 37 percent. We begin with much lesser reserves this year than we did even in 1988. And I think that that is something we must keep in mind.

The first few days of July have brought no relief. Iowa has been sweltering under 90- to 100-degree temperatures with virtually no rainfall since June 26. Up until that time, the crops looked fairly good. Everything looked good. If you talked about a drought was imminent and had some problems, people would say the crops look so good. The corn and soybeans are really growing well. And they were. But we had some timely rain, so it was keeping us. The in-

tense heat has evaporated most of the moisture we had prior to that date. Our latest crop report of Monday, July 10th—and I think this is significant, to keep this in mind—documents that the topsoil moisture is short in 93 percent of Iowa. This compares with only 60 percent short the previous week. In one week, it went from 60 percent short to 93 percent. And our subsoil moisture is depleted in 99 percent of the State. At this time last year, that was about 96 percent short. So those are the conditions we have in the State. And the severity of this whole thing is the lack of reserves, a lack of that subsoil moisture. The third component to be considered, of course, is the timing of this accelerated drought condition that I have just begun to mention here. Our most devastating period in 1988, keep in mind, was the first week in August, when we had almost chinook-like winds, hot and dry; 95 to 100, and over 100. And that is when we really had our toll.

Our principal crops, corn and soybeans, are now at the stage of growth in which they need more moisture than even normal rainfall can provide, because of the need—the sucking up—of the large plants. Corn is entering its most critical period, the tasseling stage. And farmers know all about that. Without moisture reserves in the topsoil and the subsoil, many of our farmers will face their second consecutive year of much below normal yields.

A BIPARTISAN DROUGHT-RELIEF PACKAGE

One year ago, this particular committee and your counterparts in the House fashioned that served as a financial safety net for thousands of American farmers. This package provided $312 million in assistance to Iowa farmers alone. A large portion of that aid went to farmers who were just beginning to recover from the agricultural credit crisis of the early and mid-1980's, and who may not have survived without the help you gave them at that particular time. This assistance found its way into the cash registers of many agribusinesses that supply farmers' needs. And I think that is so important; that it really went to our total economy in the end.

DROUGHT

Unfortunately, the 1988 drought has become the drought of 1989 in many of areas of the country, and especially in Iowa, as has already been pointed out.

During this past week, corn and soybeans began to show signs of heat and drought stress in major ways. Corn is rolling—that shows a lot of stress—and firing on light soils already. This is early in the year for this to occur. Soybeans are also showing signs of stress.

OF SPECIAL CONCERN IN IOWA IS THE CRITICAL SHORTAGE OF WATER FOR BOTH HUMANS AND LIVESTOCK

Of special concern in Iowa is the critical shortage of water for both humans and livestock. The worst problems have occurred, of course, in southern Iowa, where wells that have served family farms for more than a century have now gone dry for the first time. Many farm ponds in the southern half of the State have also gone dry. The water shortage, combined with low hay yields and deteriorating pastures, has led to the culling of some of our cattle

in southern Iowa. This reduction in cattle herds is occurring at a very crucial time. Iowa used to be No. 2 in cattle production. During the past two decades, Iowa dropped to No. 5. And just at the time when we were starting to rebuild our cattle herds, the drought came along, and we've started to cull off our herds in major form again.

In addition to the shortage of water for livestock, water is in short supply for farm families and residents of our rural communities, as well. Six Iowa counties have been declared disaster areas because of the water shortages and the National Guard is hauling water to 10 communities. The Corps of Engineers is authorized to do this service, but it has not seen fit to do it at this point.

The Governor and I, Governor Branstad and I, will be traveling around Iowa tomorrow, and looking at several drought-affected areas to determine what we should do next. I am sure that in the near future, he is going to be declaring a number of more counties as disaster areas.

ASSESSING THE FULL IMPACT OF DROUGHT ON CROPS

It still is too early, however, to really assess the full impact of drought on crops.

The scenario I have just painted for you is nearly identical to the one that existed only 1 year ago in Iowa, when this committee helped to fashion a comprehensive drought-relief package that I have alluded to, $312 million in Iowa. We would have been in serious financial shape without it. If this blast furnace of heat and wind continue, as I have suggested, there exists a potential for history to repeat itself. Again, this could be an 1989 drought that I believe would bring devastation to the heartland.

STRONGLY URGE THE COMMITTEE TO EXTEND LAST YEAR'S PROGRAMS TO 1989 CROP

I strongly urge the committee to extend last year's programs to 1989 crop to provide our farmers with a financial safety net. If conditions improve in Iowa and other drought States, the assistance may never be needed. We hope, very sincerely, that it never will be needed. But it is there as a safety net if we should happen to need it. It is important to assure our farmers that help will be available for those who suffer substantial losses of any crops. A loss from drought is a financial loss to any farmer, no matter what they raise. Agriculture is so basic in Iowa and most of the Nation. There are so many variables that we have to deal with, and our expenses are so high—we have to be capitalized so high in order to continue in agriculture—that this is one variable that it is awfully hard for us to cope with alone.

The House has taken a step in the right direction, in my opinion, by voting to extend last year's program. This recognizes both program and nonprogram crops. It does not just authorize coverage of Winter wheat, which has been suggested by some. Little of this crop is grown in Iowa, so covering Winter wheat only would hardly be any help at all in Iowa. My testimony has been concerned with the deteriorating conditions of corn and soybeans, and horticulture

and other crops, as well. I support a program that is fair and equitable to all.

There is no question the Federal Government must get its fiscal house in order by reducing the budget deficit. But in doing so, we cannot turn our backs on our farm families.

URGE THE COMMITTEE TO CONSIDER A FEW MODIFICATIONS

While I support an extension of last year's drought assistance program, I also would urge the committee to consider a few modifications. During most of this decade, the Federal and State governments have worked to encourage agricultural diversification. Farmers in many States, including our State of Iowa, now are raising fish, and are growing fruits, vegetables, and Christmas trees on land that used to be planted in row crops.

Many of those growers lost fields of perennial plants or livestock during last summer's drought that will take years to rebuild. But the 1988 law only provided them with disaster payments for the 1988 losses. I strongly urge the committee to take action to compensate those farmers for their long-term losses, as well.

ENACT LEGISLATION TO UPGRADE RURAL WATER SYSTEMS TO MINIMIZE HARDSHIP DURING FUTURE DROUGHT CYCLES

I also would urge the committee not only to craft a bill to deal with the current drought, but also to enact legislation to upgrade rural water systems to minimize hardship during future drought cycles; a very key point, because this could return and return and return if we do not.

In many areas of my State, the availability of water is not just a rural development issue, it is an issue of rural survival.

COST-SHARE MONEY

This legislation not only should provide funds to expand rural water districts, but it also should provide cost-share money to link individual farmsteads to rural water systems and to establish permanent impoundments in water-short farming areas.

There is no question the 1980's have been a trying decade for agriculture in America. Just as our farmers were beginning to recover from the worst crisis since the Great Depression, along came the 1988 drought. Farmers who barely managed to hang on after the 1988 drought may not be able to survive this one, in 1989. Fortunately, Members of Congress recognized the drought as a serious threat to agriculture last year. For Iowa farmers, that threat is just as real today as it was 1 year ago. So I guess the point is, if it was good last year, it must be good this year. And it is good this year. It is essential for Iowans and others.

The House has taken the right step in the right direction, in voting to extend last year's safety net and I hope the Senate will consider that same direction as well.

Thank you very much for the opportunity.

[The prepared statement of Mr. Cochran appears at the conclusion of the hearing.]

Senator CONRAD. Thank you very much, Mr. Cochran, for that excellent testimony.

Next, we will hear from Mr. Waller. Perhaps my colleague, Senator Cochran, would like to introduce him.

Senator COCHRAN. Mr. Chairman, I am just delighted that Don Waller could be with us today. We asked that he be included on this panel so that we would get a general overview of the situation that exists in farming today, and some of the problems in the Southeast particularly.

He is not only president of the Mississippi Farm Bureau Federation, but he is also a member of the board of directors of the American Farm Bureau Federation. And it is in both capacities that he appears before our committee today. And we are delighted to have him. He is a friend. He is a cotton farmer. He is a leader back home. He is a fine citizen. I am delighted he could be a part of this panel.

Senator CONRAD. Welcome, Mr. Waller.

STATEMENT OF DON WALLER, PRESIDENT, MISSISSIPPI FARM BUREAU FEDERATION AND MEMBER, AFBF BOARD OF DIRECTORS, OXFORD, MS, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION

Mr. WALLER. Thank you, Mr. Chairman. And thank you, Senator Cochran, for those kind remarks.

Let me say that I am a bona fide farmer. And I was sitting here thinking, I am coming up last on the list; and as usual, it is the farmer. [Laughter.]

But let me say I do appreciate the opportunity to come and testify before you. And I am representing the Mississippi Farm Bureau, as well as the American Farm Bureau.

If you will allow me to, I will summarize my prepared statement and more or less shoot from the hip, and not take up any more of your time, and give you some of the time back, possibly.

CRITICAL CONDITION IN THE SOUTHERN REGION

We in Mississippi and all across the southern region are in a condition we call critical, more critical perhaps than last year's drought.

200,000 ACRES UNDERWATER

It is amazing. I sit here and hear people talk about droughts; and we have, as the Senator stated, 200,000 acres underwater, and many, many more hundreds of thousands of acres, perhaps millions of acres, in a supersaturated situation where neither cotton nor soybeans will thrive.

We are in a situation that we seldom see in our State at this time of year, in June and July. Our water usually falls earlier than this, when we are in the seedbed preparation stage; and here we are with a crop, attempting to get it planted a little earlier. Got it planted; got some of it up. And it is underwater or saturated to the point that it is absolutely drowning in the supersaturated soil.

RAINFALL TOTALS ANYWHERE FROM 5 TO 20 INCHES ABOVE NORMAL

So we find ourselves in a very peculiar situation, with rainfall totals anywhere from 5 to 20 inches above normal. And gentlemen,

I would like to say that it is continuing. I had word from my county that just this past Monday, in parts of my individual county where I raise cotton and timber, we had 5 inches of rain in some areas of my county within an hour and one-half. And we had rain yesterday. And I understand, in the State of Mississippi, we are having rain today.

So it is an ongoing—it is a present situation—and I certainly do feel that even though we cannot bring to you tabulated results of surveys that show exactly how many acres are involved and of what crops, I feel that it is certainly proper to have legislation in force that we can take advantage of somewhere down the road when these conditions are assessed, in a proper manner.

OVER 50 PERCENT OF OUR COTTON WAS REPLANTED

Over 50 percent of our cotton was replanted. And that many or more of the beans were replanted. So the emphasis there I want to say is that our crop has been an unusually expensive one, in that we have prepared seedbeds and reprepared seedbeds. We have planted; we have replanted. We are at a point of where we have more dollars in this crop today than normally we would have, with no prospect of any return. So it emphasizes the critical condition that we are in.

SOYBEAN CROP

The soybean crop, in particular, is in worse shape this year than it was last year during the drought. The rainfall, come as late as it has—as I earlier stated—has really messed our soybean crop situation up.

Right today, we have as many as 1 million acres of soybeans that have not been planted, here the 13th day of July. We had, in mention of the crop insurance, very few of our soybeans were planted prior to the cutoff date for crop insurance. Incidentally, we did go to the proper people and attempt to get that deadline extended, but we ran up against a wall there. So we are seeing a situation now, if soybeans are planted at this point, they have very little hope of making a profitable yield.

Just as an important example, one of our farmers in north Mississippi, who happens to be the chairman of our farm bureau's wheat and feed grain subcommittee, raises 4,000 acres of wheat. It has been so wet, this farmer has been unable to harvest a little over half of his wheat, where he normally would double-crop behind soybeans; so he has got a double-whammy on him. He has not been able to get his wheat out; and what wheat he did get out has certainly deteriorated in quality. And it has gotten to the point now that it is so bad that he probably will not even attempt to harvest the remainder of his wheat because of excessive moisture.

They tell me that the wheat is sprouting in the hand. You rub the wheat kernels out in your hand; and every one of them has a sprout in it. It has been that moist; and high humidity to that extent.

AFBF RESOLUTION

In June the American Farm Bureau Federation board of directors met and they discussed this situation. At that point in time, they felt that it deserved consideration; and they passed a resolution calling for support of House Bill 2467, as approved by the House committee and the full House. And they think this is a good approach; and it shows that, all across the United States, the entire American Farm Bureau is cognizant of the situation.

Gentlemen, that is about the extent that I would like to go into my testimony considering the lateness of this hour. I would be glad to answer any questions and discuss this issue at any length. I just wanted to say that I do appreciate this opportunity; especially you, Senator Cochran. You are always there with us in the trenches for farmers; and I certainly appreciate this opportunity.

Thank you.

[The prepared statement of Mr. Waller appears at the conclusion of the hearing.]

Senator CONRAD. Thank you, Mr. Waller. I would like to ask each of the witnesses this question. We have had recommendation from some that we just take care of Winter wheat, those crops planted in 1988, for harvest in 1989, and then wait and see about the others.

What would be your reaction? Perhaps I could ask each of you in turn to comment on this kind of proposal.

Mr. Fanning.

Mr. FANNING. The areas where we have crop damage now, the grower there does not know the difference between this year's drought and last year's drought; and it would be very difficult to explain that kind of an agricultural program to him.

Senator CONRAD. All right. Mr. Cochran.

Mr. COCHRAN. I do not feel that it would be fair or equitable at all. Last year's bill took into consideration many crops. Parochially, I would say, of course, it would not help Iowa, probably. And if we went ahead and helped Winter wheat now; and say we will talk about a bill if we have disaster coming in other crops later; I do not think that will ever happen.

As I have suggested, that this would be a safety net; and that there will be no outlays of money if this drought does not really happen. So I would say that that would not be the way to go.

Senator CONRAD. Mr. Waller.

Mr. WALLER. Absolutely. I would have to agree with these two gentlemen in their assessment of the situation. As far as the southern region is concerned, we feel that this would be very unfair. And we just feel that you should look at an alternative situation.

Senator CONRAD. Well, I agree with you. I have introduced a comprehensive disaster relief bill, one that deals with excessive moisture, drought, freeze, and hurricane. It is comprehensive in nature. It provides assistance in much the same way as last year, although it does attempt to improve on the livestock provisions, which I believe need some improvement.

So I am glad to hear that testimony; because I think we have a disaster in many parts of the country. Maybe not one that has been

proven in the sense that harvest has occurred. But I do not think we have to wait for harvest to see that there is a disaster.

Mr. Fanning, your testimony, as it relates to my home State, indicates that we have a disaster right now. In 13 counties, we have a loss of 60 to 80 percent, if I understood your testimony correctly.

Mr. FANNING. You did, Senator. Those data are a week old. Those numbers are conservative.

Senator CONRAD. I might say to Mr. Waller, representing American Farm Bureau, I just met with the head of my farm bureau, Monte Burke. Monte is one of the most respected people in agriculture, certainly in my State. I think he is respected across the country.

He has an 80 percent loss on his farm as of today. That is what Monte told me. That is an actual loss. We are not talking about the sweet by and by. This has already occurred. And so the question is, do we respond to that? And I think we will.

Mr. Waller.

Mr. WALLER. Thank you, sir. One important point that I possibly left out of my testimony, is that our Governor has declared—well, I do have one-third in my written testimony—but I think as of today, about one-half of the counties in Mississippi are disaster areas.

Senator CONRAD. So that is a disaster that has been recognized by your Governor as already having occurred. We are not talking about maybe's. It has happened.

Mr. WALLER. And with my personal experience—I farm cotton, as I said earlier—I expect fully 50 percent of my cotton yield to be cut because of the supersaturation and the flooding conditions. I do plant a few beans. I will plant no beans, none, because of the situation.

Senator CONRAD. How many acres of beans would you normally plant?

Mr. WALLER. Oh, I would plant around 60 acres. I am primarily a cotton farmer. I will not get those planted this year.

Senator CONRAD. Thad.

Senator COCHRAN. Mr. Chairman, let me just thank, with you, the panel, who have been very patient today and provided us with information that is really important. It is good to have in the record as we proceed to a consideration of specific legislation to deal with these problems. We will have a better understanding of what the practical situation is out there in all parts of the country, and with many different crops and farmers.

Let me just say that, in connection with the estimates of lost income and the expense that is going to result from these devastating weather conditions, I mentioned that we asked Mississippi State University to take a look at the situation that exists right now, and give us an estimate of what they think the dollar cost of these floods and wet conditions in our State will be.

And I pointed out, the overall estimate for crop losses in our State is $402 million. And if you talk about net farm income, their conclusion is that it will decline by about 30 to 35 percent below that of 1 year ago. And this is with current conditions, as they exist right now.

And of course, if it gets worse, if the rains continue, then we are going to have even more serious damage and larger losses of

income. But I would like, since we would have it in the record, to put a copy of this report, Mr. Chairman, by the Agricultural Economics Department of Mississippi State University, in the record at this point.

Senator CONRAD. Without objection.

[The crop loss report follows:]

MISSISSIPPI COOPERATIVE EXTENSION SERVICE

ESTIMATED CROP LOSSES, MISSISSIPPI—JULY 12, 1989

[Dollars in millions]

Cotton	$180
Soybeans	123
Feed grain and hay	27
Food grains	26
Horticulture crops	16
Other crop losses	30
Total	402

Total farm income in Mississippi will likely be down some 12–15 percent because of the rains, floods and late crops. Net farm income will decline by more than twice that percentage and could easily be 30–35 percent below that of a year ago. On July 12, 1989, it is estimated that we still have as much as 185,000 acres of cropland underwater.

BOB WILLIAMS,
Extension Leader, Agricultural Economics Department,
Mississippi State University.

Senator CONRAD. I would ask unanimous consent for a statement by Senator Graham of Florida, my own opening statement, as well as six letters from various representatives of the agriculture community in my State, and several versions of the Palmer Index of my State, which show 30 of the 53 counties now in a severe drought condition. Without objection, those will be entered into the record.[2] We will also leave the record open until July 18 for additional statements that Senators might want to enter into the record, given the interest in this subject.

[The prepared statement of Senator Graham follows:]

PREPARED STATEMENT OF HON. BOB GRAHAM, A U.S. SENATOR FROM FLORIDA

Mr. Chairman: Thank you for giving me the opportunity to present testimony before the Senate Agriculture Committee on the serious economic impact damaging weather has had this year on so many crops. I realize that the bulk of the attention to date has been focused on the dry conditions that continue to impact on the Nation's Winter wheat crop. But, having just returned from Florida's Panhandle, I wanted to bring to the committee's attention the damage that has occurred in the northwestern part of my State from quite different weather—excessive rain.

The severity of the situation in Florida became more than just a news story or USDA crop report when I had the chance to work on a farm in north Florida last week. On July 7, I went to work at sunup at George Foran's farm in Bay County, Florida. We spent the early hours of the day picking peas. By 9 a.m., we were on our way to the local farmer's market to sell. While at the market, I talked with farmers from around the region, most of whom related to me stories of lost or damaged crops. In Calhoun County alone, 50 percent of the corn yield is lost; 30 percent

[2] See pp. 9–30 for Senator Conrad's material.

of the peanut, 50 percent of the cotton, 60 percent of the soybean, and up to 75 percent of the total wheat crop have been affected.

The U.S. Department of Agriculture's Flash Situation Report indicates that Calhoun County was hit with up to 35 inches of rain between June 6 and July 7. Six to nine inches of that rain fell in one 3-hour period. The flooding and soil erosion that occurred because of these rains have caused losses to crops ready for harvest, like Winter wheat, newly planted crops, like soybeans, as well as crops not yet planted.

The situation in northwest Florida has a special urgency that may overtake the pace of disaster assistance legislation in the Congress. Although a short-term solution may be necessary in Florida's Panhandle, the Senate's worthwhile long-term goal, to legislate disaster relief, should be comprehensive and equitable. I offer my assistance to the committee in developing relief for farmers who have suffered crop losses from natural calamities of all types.

Senator CONRAD. With that, I, too, want to thank this panel for your patience and for your contribution. It is extremely valuable to the committee; and we appreciate very much the contribution you have made.

With that, we will stand in recess.

[Whereupon, at 12:59 p.m., the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

APPENDIX

PREPARED STATEMENT OF MIKE HAYDEN, GOVERNOR, STATE OF KANSAS, TOPEKA, KS

Mr. Chairman, members of the committee, thank you for allowing me the privilege of testifying regarding the need for Federal drought assistance to those Kansas farmers devastated by the drought of 1989. Our request is simple and that is to first and foremost extend the 1988-Drought Assistance Act to cover those crops planted in 1988 but harvested in 1989 because the drought we've experienced was a continuation of last year's dry weather nationwide. The need is certainly great as we are witnessing one of the poorest wheat harvest in the history of the Wheat State. The money is there because wheat farmers will receive little, if any, deficiency payments, due to the effect of the drought on market prices. Therefore no additional moneys will need to be budgeted. In fact, the Treasury of the United States will benefit by the drought of wheat country.

I urge you to pass a drought relief bill soon so that the budget reconciliation process does not reduce the funds that are presently available for assistance. I agree with the administration's approach that the relief should go to those hurt the most and that the assistance be primarily targeted to where the injury has already occurred, not where it might happen later this year.

Much of the wheat in Kansas is now harvested and in the bin, that is, what was left of it. Weather conditions have improved across our State, even though much of Kansas is still in a drought. I am from a farm family and have toured the State to look at drought conditions. I can tell you unequivocally that the drought has had a disastrous impact on our State. Kansas State University released a study on June 1, 1989, that stated the total drought induced loss in the Gross State Product is estimated at $1.6 billion. The drought relief that we are requesting has been estimated by the administration to cost in the neighborhood of $400 million, nationwide. We will not recover completely even with Federal disaster aid, but it will certainly go a long way toward helping our farmers and agribusiness survive to hopefully better times.

I am tremendously proud of the agricultural industry in our State, an industry that weathered one of the severest depressions during the early and mid-1980's. They were hit with plummeting land values, poor commodity prices and exceedingly heavy debt loads. Many businesses failed. Others held on and survived by a combination of their own tenacity, improved commodity prices and assistance from you in Washington. These factors were critical in bringing much of agriculture out of the farm crisis. Now in 1989, with the prospects of a good year and hopes of better prices, we are belted by a calamity of Mother Nature.

I would like to review with you some of the facts concerning the 1989 wheat harvest in Kansas.

1. In 1988, Kansas farmers planted 12.4 million acres for harvest in 1989. We anticipate harvesting *only* 9.2 million acres. Thus abandonment will be 3.2 million acres or 25.8 percent of the total crop planted. We have not abandoned that many acres of wheat since 1951. The average yield is expected to be 22 bushels per acre, down 12 bushels from 1988 and the lowest average yield since 1967.

2. As of July 3, 1989, the remainder of the wheat crop was rated 4 percent—good to excellent and 51 percent—very poor. Our fall crops are in better shape, corn is 79 percent—good to excellent and 4 percent—poor to very poor, milo is 73 percent—good to excellent and 5 percent—poor to very poor, and soybeans are 78 percent—good to excellent and 4 percent—poor to very poor.

3. Given normal yields, the State's crop from the acreage planted in 1988 would have been 430 million bushels. The present projection is for a harvest of only 202.4

million bushels, meaning that the drought has reduced our harvest by 228 million bushels or 53 percent.

4. At roughly $4 a bushel, we have had a direct loss in the gross income of our farmers of $912 million. However, the reduced wheat production has increased the price per bushel. Kansas State University estimates that the wheat producers will actually see their gross income drop by $605 million. KSU also estimates that insurance indemnity payments may compensate for only 20 to 45 percent of this revenue loss as 40 percent of our acreage was covered by Federal crop insurance.

5. The amount of feed grains, soybeans and wheat presently on storage in Kansas is 349.6 million bushels. Last year at this time we had 438.4 million bushels on storage in our State, which means that we have decreased our storage by 20 percent, which has hurt our storage and transportation sectors.

Kansas wheat prices would probably have been about $3.50 per bushel without the drought. However, with reduced production, the projected price is anticipated to $4.15 per bushel. With the target price at $4.10 per bushel, the drought has an additional negative financial impact on the Kansas farmer by pushing the market price above the target price thus resulting in zero deficiency payments. A high price is of little comfort when you have no crop to sell.

The drought will not only reduce our yields and the resulting income from production, but will also eliminate the stabilizing income we have received from the Federal Government in the form of deficiency payments. We want our income to come from the marketplace and not from the Government, but it is important to remember that deficiency payments protect a price, not yield. The drought will not only hurt us in yield but also will reduce Government deficiency payments.

We have suffered in many other ways from this drought. March 14, 1989, will live in the memories of many Kansans. Huge clouds of precious topsoil blew such that the lights came on in the middle of the morning in many western Kansas towns. Highways were closed and most damaging of all, over 5 million acres suffered severe wind erosion.

Our cattle herd has been severely impacted by the drought, with many farmers selling their herds. This will hurt us for years to come as the cows are our factories, and though you may receive some income from the sale of that factory, you're eliminating your capacity to produce in the future. During the height of the drought in 1989, cow sales increased two to threefold. Slaughter of cows was up sevenfold at federally inspected plants.

Agriculture is not the only industry that has been impacted by the drought in Kansas. Many of our communities are presently under water rationing. At one point, 41 of our communities had implemented some form of water rationing or conservation and were still not out of the woods.

The impact on agribusiness will probably be as dramatic as anywhere. With little grain to handle or store and reduced sales of farm supplies, an agribusiness highly leveraged or financially weak may fail.

Facts are important, but they don't begin to reveal the human tragedy of this drought. Doyle Rahjes, president of the Kansas Farm Bureau, stated that he had not seen the conditions so bad since he was a kid during the 1930's. He has been actively engaged in farming since the 1950's and the past spring was the bleakest he had seen since that time. While standing in the devastated wheat fields, I have talked with farmers who felt that they would only harvest 10 percent of their acreage.

Mr. Chairman, members of the committee, my request is *simple, urgent* and *necessary*. We need the 1988 Drought Assistance Act extended to apply to those crops planted in 1988 but harvested in 1989, so that Winter wheat producers, affected by last year's drought can be made whole to the extent that other producers were compensated last year. I am sympathetic to concerns over other crops, but it would be unfair to take wheat "savings" and spread them over 530 plus crops where no disaster exists. Therefore, disaster payments to Winter wheat farmers should be *mandated*. Then, if there are other sources of funding available, disaster payments to other crops could be *authorized* at the discretion of the Secretary depending on the extent of damage and other appropriate criteria.

The money that has been budgeted for deficiency payments for Winter wheat can be used to fund drought relief. The effects of this drought on the Treasury of the United States may be positive, but the effects are catastrophic to Kansas farmers.

Kansans do not like to ask for Federal assistance. I am, like most Kansans, a fiscal conservative and want to see the Federal Government save as much money as possible in order to reduce the Federal deficit. Under the type of drought relief legislation supported by Senators Dole and Kassebaum, there will be no budgetary

impact and I think that is the appropriate and responsible budgetary position for the Federal Government.

Thank you Mr. Chairman and members of the committee for your time. I will be happy to respond to any of your questions.

STATEMENT OF JACK C. PARNELL, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. Chairman and members of the committee, thank you for inviting me to appear before you to discuss disaster assistance legislation for 1989 crops. I would like to take this opportunity to provide you with specific criteria that will guide our evaluation of 1989 disaster legislation. As you may know, the Secretary has indicated that he would recommend a veto of H.R. 2467, the recently passed House bill, if it were passed by Congress in its present form. That bill is much too broad in scope, and potentially much too costly to the American taxpayer. We have, however, stated that we are sympathetic to the economic plight of livestock and Winter wheat producers, both of whom have been adversely affected by continued drought in some areas of the Great Plains.

We have already taken a myriad of administrative actions to help livestock producers, and do not believe that additional legislation in the livestock area would be helpful. Because of shortcomings in our crop insurance program, we do believe that narrowly focused legislation would be helpful to Winter wheat producers. Therefore, we are prepared to consider a legislative proposal that would:

- Provide financial assistance to producers of 1989 crops seriously affected by the drought;
- Not lead to a sequestration under Gramm-Rudman-Hollings, and would provide an offset through real budget reductions for any additional outlays other than those associated with the drought affected Winter wheat crop; and
- Include provisions to ensure that we do not have two separate programs for managing weather risk in the future.

1989 CROPS AFFECTED BY DROUGHT

Mr. Chairman, it is very evident that the 1988 drought and its continuation into 1989 has had a serious impact on the Winter wheat crop in the Great Plains. The Department's June crop survey placed wheat yield per acre in Kansas at 35 percent below last year's yield. Yields in Nebraska, Oklahoma, and Texas are down 25 to 30 percent, and the yield in Colorado is down 15 percent. Other States have also been affected. The Federal Government has a role in providing assistance to farmers adversely affected by major disasters, such as the 1988-89 drought. However, as with businesses in other sectors, farmers and ranchers should be expected to assume some risk associated with their operations.

Virtually every year, there are some farmers who experience substantial losses due to local conditions. For example, despite a near-record national average cotton yield in 1988, disaster payments to cotton farmers will likely total about $150 million for last year's program. Localized, unpredictable risk factors should be assumed by farmers through their purchase of insurance or other means, rather than by the taxpayers through *ad hoc* disaster assistance.

The administration would support a bill to provide assistance for 1989 crops affected by drought, since there is ample reason to believe that drought damage this year is still part of last year's national catastrophe.

Because of budget constraints applicable both to the Congress and to the administration, funding for disaster assistance will be severely limited. Therefore, a broader multiperil disaster relief program such as that passed by the House would dramatically reduce the amount of relief available to producers that have truly suffered catastrophic losses due to drought. Under the 1988 disaster assistance program the Department has made payments on some 640 crops. Were similar legislation to be passed in 1989, assistance to Winter wheat producers, who have been adversely affected by drought, would be diluted in a very major way.

ROLE OF FEDERAL CROP INSURANCE

Federal crop insurance provides a means by which farmers may protect themselves against weather risk. Insurance for most crops was available again this year at rates that already bear a considerable taxpayer subsidy. Producer participation increased significantly and, as you know, those participants are not enthusiastic about having taxpayers bail out those who *chose* not to participate. In addition we

will never have a viable crop insurance program if we provide *ad hoc* disaster legislation each year for those who are uninsured. Therefore, if we have drought legislation this year let us make it clear to producers that this is the last time the Federal Government will provide a two-track approach to covering weather risk. In the 1990 farm bill, we must either (1) provide crop insurance and abandon *ad hoc* disaster relief programs, or (2) abandon crop insurance and provide *ad hoc* programs as necessary. Our present view is that we should pursue the first option, but we do not wish to draw any firm conclusions until we have an opportunity to examine and evaluate the recommendations of the Crop Insurance Commission.

Before the next farm bill is passed we need to address the linkage between crop insurance and disaster payments for the 1990 crops. Although H.R. 2467 includes a requirement that disaster payment recipients who experience catastrophic losses purchase crop insurance for 1990 crops, this provision includes enough waivers to render it ineffective. We believe that any producers receiving payments, *whatever the amount*, should be required either to: (1) purchase insurance next year on the crops for which drought payments were received, if insurance is available; or (2) waive, in writing, the privilege of applying for drought relief payments in 1990 if the producer would rather self-insure than purchase crop insurance.

To improve the overall administration of the crop insurance program, the Federal Crop Insurance Corporation (FCIC) must be given the authority to require social security numbers from participants in its programs. The Agricultural Stabilization and Conservation Service (ASCS) and other Federal credit agencies already require such information from program participants.

Budget Neutrality and Sequestration

Every dollar spent for drought payments under a 1989 bill will add to the budget deficit and will thus contribute to the potential for sequestration under Gramm-Rudman-Hollings (G-R-H).

Even though CCC spending for price support activities may have been projected at a higher level in an earlier baseline, and may be projected at a lower level in a later baseline, the difference does not make funds automatically available for other programs such as drought relief. New programs, whatever they may be, should be evaluated on their merits, and should further be compared with the alternative of saving the funds, thereby reducing the Federal budget deficit.

Once the baseline is reestimated to take into account supply-use changes, such as lower production due to the drought, higher exports, etc., subsequent legislative initiatives that involve additional spending will increase outlays with respect to that new baseline. The new baseline, which is referred to as the midsession review (MSR), will be used to calculate whether there must be a G-R-H sequestration in FY 1990.

Last year, Congress was forced by the specter of a G-R-H sequestration to limit the scope of the Disaster Assistance Act of 1988. The administration's final decision on support for a bill this year will be based in part on the projected cost of the bill and the projected Federal budget deficit. It would make little sense to enact drought-relief legislation and then have to significantly reduce the benefits of such legislation because of a sequester. For a drought assistance bill to be acceptable to the administration, it must not trigger a G-R-H sequestration. Further, any outlays incurred by the legislation, with the exception of outlays for Winter wheat, must be fully offset by outlay reductions elsewhere in the budget and not by baseline reestimates.

We have particular concerns with section 144 of H.R. 2467 which is designed to confer budget neutrality upon that bill. As we understand section 144, it requires a comparison of projected net CCC outlays for fiscal years 1989 and 1990 in the President's budget of last January with those projected for the MSR, which will be released in July. Any difference is to be preserved for use in funding disaster payments under H.R. 2467. However, increases in Federal crop insurance outlays for drought losses on 1989 crops are not captured by this accounting system. Excluding these (indemnity) outlays underestimates efforts already being taken by taxpayers to assist farmers.

The section 144 recalculation will provide a finite figure which is intended to serve as a spending cap on the disaster payment program. Unfortunately, our only recent experience with a spending cap on disaster legislation is not reassuring. The 1986 disaster payment program was originally capped at $400 million. Since losses covered under the legislation subsequently totaled about $535 million, the Department prorated payments to roughly 75 cents on the dollar. After something of an administrative nightmare and about 1½ years time, the $400-million program

became a $570-million program through special appropriations. Such might well be the ultimate result of a provision such as section 144.

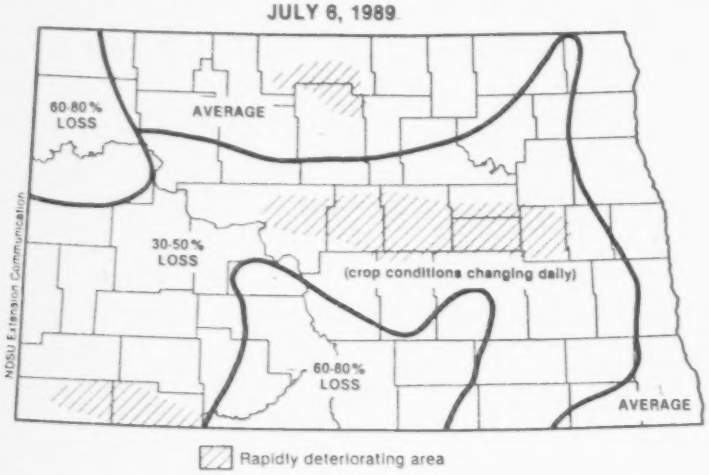
Mr. Chairman, that concludes my testimony. We would be glad to work with the committee in designing disaster legislation which is acceptable to the administration. I would be pleased to respond to any questions you or committee members might have.

[The prepared statement of Carl D. Fanning follows:]

STATEMENT OF CARL D. FANNING, EXTENSION SOILS SPECIALIST
NORTH DAKOTA STATE UNIVERSITY, FARGO, NORTH DAKOTA

Mr. Chairman, members of the Committee. In North Dakota we finished seeding the spring wheat crop in late May, aware that a substantial portion of the state had not received rainfall or snowpack adequate to replenish subsoil water depleted by the 1988 drought.

Rainfall through early July has been substantially below normal. Large areas of spring seeded small grains have run out of water. Our crop yield potential is declining statewide. All or parts of thirteen counties in the south central and northwest areas of the state have essentially lost their crop. These counties are Burleigh, Emmons, Kidder, Logan, McIntosh, Stutsman, Sioux, Grant, Morton, Oliver, McKenzie, Williams and Divide. Hot dry weather conditions continue and crops are declining daily. The list of counties with small grain crop failure will expand.



Estimated small grain loss from drought as of July 6, 1989.

A large portion of the crop across the center of the state looked good until our June 30-July 9 heat wave but added heat stress hastened stored water depletion and caused rapid change over a wide area.

My July 6 assessment identifies small grain conditions as of that date. Crop yield potential continues to decline as the drought deepens. The crop is in a critical growth stage between grain filling and early heading as you progress north across the state. Damage at these stages in crop growth is not reversible.

The July 6 assessment of small grain crop loss allows a preliminary statement of estimated income loss to growers. This estimate does not include the state's row crops, sunflowers, potatoes, sugarbeets, corn, soybean and dry edible beans. These crops have not reached growth stages that allow damage assessment.

In addition I have evaluated hay losses that affect the state's beef and dairy cattle industry. Hay from harvested acres

has been dramatically reduced and there will be no second cutting hay crop in drought-affected areas.

The current estimate of dollar loss to North Dakota growers as a result of drought damage to spring wheat, durum wheat, alfalfa and native hay is $541.1 million.

Estimated North Dakota Small Grain and Hay Loss - July 6, 1989

	Average Yield Loss	State Loss Bushels (tons)	$/Bu (ton)	Total Dollar Loss (million)
Spring Wheat	31%	70,305,400	$ 3.90	$ 274.1
Durum Wheat	26%	27,444,100	4.00	109.8
Barley	25%	35,202,200	2.20	77.4
Alfalfa Hay	42%	(1,154,400)	(50.00)	57.7
Native Hay	39%	(736,000)	(30.00)	22.1
			Total	$ 541.1

Yield losses are based on loss from a 5-year 1982-87 county production average.

Wheat and barley prices used in these calculations are current market prices. Durum wheat used in calculations at $4.00/bushel is a modest increase above current market. North Dakota produces 80% of the nation's durum wheat. Hay prices respond to local demand. High quality alfalfa for dairy stock and native prairie hay are priced at a modest increase above normal market prices.

ADDITIONAL CONCERNS

Small Grains Temperatures in excess of 96°F were common June 30 through July 9. This is adequate to kill pollen and sterilize grain. A large portion of our northern tier counties pollinated during this period. Damage has occurred. It's extent is unknown.

Row Crops Row crops are beginning to close rows and require increased available water. In areas where the small grains have already run out of stored water, row crops will run out of water within the next ten days. The added impact of this loss can devastate grower income.

Beef Cattle The beef cattle and dairy industry are dependent on local forage for efficient production. Beef operators in the northern plains routinely maintain a one-year reserve of stored hay. These hay stocks were used following the drought of 1988. The reduced hay harvest will have impact greater than the 1988 drought.

Dairy North Dakota's 90,000 head dairy industry will suffer severe stress with reduced local stocks of quality hay and feed grains. Younger operators with low equity will be in extreme jeopardy.

Grain Elevator Business Lack of federal grain storage opportunities and reduced throughput volume has cut at the heart of this business. Increased business failure in this segment of the northern plains grain production program can be anticipated.

Farm Equipment and Farm Service Supply Centers A series of years with low commodity prices followed by the 1988 drought has curtailed income to this essential segment of the farming industry. Business closures have already increased the distance farmers travel for essential equipment and production input materials.

Farm Debt - Farm Foreclosure Grain stocks in on farm storage are at an all-time low. Grain in storage is the northern plains grain grower's best management tool to meet financial obligations in low crop yield years. These stocks disappeared with the 1988 drought. The impact of low on farm grain stocks will ricochet through the farm debt structure.

State Economy Impact Grower production income in the northern plains multiplies about three fold as it works through the state's economy. Agriculture dominates the state's income. Public and essential service funding suffered budget adjustments with the 1988 drought to cope with reduced state revenues. It will be ominous if the stress must be repeated on the state's 1989 budget.

PREPARED STATEMENT OF DALE M. COCHRAN, SECRETARY OF AGRICULTURE, IOWA DEPARTMENT OF AGRICULTURE AND LAND STEWARDSHIP, DES MOINES, IA

Mr. Chairman, Senators and distinguished guests, I very much appreciate this opportunity to brief you on the current status of the drought in Iowa.

A large portion of the United States west of the Mississippi River is suffering extreme drought conditions, which has been exacerbated by the drought of 1988.

This marks the second straight year of below-normal rainfall for most of Iowa. Statewide precipitation during the first 6 months of 1989 is down 37 percent, or 5.43 inches below normal. The period from January 1 through June 30 was the seventh driest January through June in 117 years of recordkeeping in Iowa.

The first few days of July have brought no relief. Iowa has been sweltering under 90- to 100-degree temperatures with virtually no rainfall since June 26. The intense heat has evaporated most of the moisture we had prior to that date. Our latest crop report of Monday, July 10, documents that topsoil moisture is short in 93 percent of Iowa and our subsoil moisture is depleted in 99 percent of the State. The third component to be considered is the timing of this accelerated drought condition.

Our principal crops, corn and soybeans, are now at the stage of growth in which they need more moisture than even normal rainfall can provide. Corn is entering its most critical period, the tasseling stage. Without moisture reserves in the topsoil and subsoil, many of our farmers will face their second consecutive year of much below normal yields.

A year ago, this committee and your counterparts in the House fashioned a bipartisan drought-relief package that served as a financial safety net for thousands of American farmers. This package provided $312.6 million in assistance to Iowa farmers alone. A large portion of that aid went to farmers who were just beginning to recover from the agricultural credit crisis of the early and mid-1980's and who may not have survived without the help you gave them. This assistance found its way into the cash registers of many agribusinesses that supply farmers' needs.

Unfortunately, the 1988 drought has become the drought of 1989 in many areas of the country, and especially in Iowa. Many farmers who were able to survive last year's dry weather will not be able to withstand back-to-back crop losses.

During the past week, corn and soybeans, began to show signs of heat and drought stress. Corn is rolling and firing on light soil. Soybeans are showing signs of stress and could abort their flowers, which are coming on now if dry weather persists. Many Iowa farmers also are experiencing serious insect infestations, particularly from grasshoppers, alfalfa weevils and chinch bugs. We anticipate another infestation of spider mites in soybeans in the coming weeks.

Of special concern in Iowa is a critical shortage of water for both humans and livestock. The worst problems have occurred in southern Iowa, where wells that have served family farms for more than a century have gone dry. Many farm ponds in the southern half of the State have no water. The water shortage, combined with low hay yields and deteriorating pastures, has led to culling of cattle in southern Iowa. This reduction in cattle herds is occurring at a crucial time. Iowa used to be the Nation's second-leading cattle producing State. During the past two decades, Iowa's position has eroded to fifth nationally. We were just beginning to reverse that decline when last year's drought hit.

In addition to shortages of water for livestock, water is in short supply for farm families and residents of our rural communities. Six Iowa counties have been declared disaster areas because of water shortages and the National Guard is hauling water to 10 communities. The Corps of Engineers has the authority to provide this service, but has declined our requests for assistance. The city of Lamoni, located on the Missouri border will exhaust its municipal water supply this month and already has begun receiving water from Des Moines, 80 miles away, through an abandoned natural gas pipeline.

It still is too early in the season to assess the full impact of the drought on crops. However, I can assure you there will be losses in Iowa due to the shortages of topsoil and subsoil moisture.

The scenario I have painted is nearly identical to the one that existed in Iowa a year ago, when this committee helped to fashion a comprehensive drought-relief package. This year is a repeat of last year. If this blast furnace heat and wind continue, there exists a potential for history to repeat itself. If the 1989 drought is a repeat of the 1988 drought, I believe we could see a devastation in our heartland.

I strongly urge the committee to extend last year's program to 1989 crops to provide our farmers with a financial safety net. The legislation has a 35 percent loss threshold before any farmer could obtain assistance, thereby targeting the aid only to those who most need it. If conditions improve in Iowa and other drought States,

the assistance may never be needed. We sincerely hope that it will not. But it is important to assure our farmers that help will be available for those who suffer substantial losses.

The House has taken a step in the right direction by voting to extend last year's program.

There is no question the Federal Government must get its fiscal house in order by reducing the budget deficit. But in doing so, we cannot turn our backs on our farm families. It's important to note that the entire cost of the House-passed drought-relief extension would come from savings resulting from lower-than-anticipated deficiency payments.

As this committee is well aware, farm program expenditures account for less than 1.15 percent of Federal spending. Yet agriculture has been singled out to bear the greatest percentage reduction of all Federal program areas.

We could provide an important financial safety net for thousands of our struggling farm families equal to the amount paid last year by delaying construction of eight unproven Stealth bombers that will cost our taxpayers $530 million each for a sum of slightly over $4 billion. However, Secretary Yeutter, who is very outspoken against the House passed bill, represents an administration that recommends building 132 of the bombers.

A second consecutive drought in the Nation's heartland not only will bring immediate financial hardship to thousands of farm families, but it also could trigger a free fall in land values that only 2 years ago began to rebound from a 60 percent decline over the previous 6 years. In Iowa, the collapse of land values in the early and mid-1980's dragged nearly three dozen banks to insolvency.

While I support an extension of last year's drought assistance program, I also would urge the committee to consider a few modifications. During most of this decade the Federal and State governments have worked to encourage agricultural diversification. Farmers in many States, including Iowa, now are raising fish, and are growing fruits, vegetables and Christmas trees on land that used to be planted in row crops.

Many of those growers lost fields of perennial plants or livestock during last summer's drought that will take years to rebuild. But the 1988 law only provided them with disaster payments for 1988 losses. I strongly urge the committee to take action to compensate those farmers for their long-term losses.

I also urge the committee not only to craft a bill to deal with the current drought, but also to enact legislation to upgrade rural water systems to minimize hardship during future drought cycles.

In many areas of my State, the availability of water is not just a rural development issue, it's an issue of rural survival.

This legislation not only should provide funds to expand rural water districts, but it also should provide cost-share money to link individual farmsteads to rural water systems and to establish permanent impoundments in water-short farming areas.

There is no question the 1980's has been a trying decade for American agriculture. Just as our farmers were beginning to recover from the worst crisis since the Great Depression, along came the 1988 drought. Farmers who barely managed to hang on after the 1988 drought may not be able to survive a second straight weather disaster. Fortunately, Members of Congress recognized the drought as a serious threat to agriculture's recovery. For Iowa farmers, that threat remains just as real today as it was 1 year ago.

The House has taken the right step in voting to extend last year's safety net and I hope the Senate and the administration will concur.

[The prepared statement of Don Waller follows:]

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY REGARDING DISASTER RELIEF

Presented by Don Waller
President of the Mississippi Farm Bureau Federation and
Member, AFBF Board of Directors

July 12, 1989

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today concerning the severe weather conditions affecting much of agriculture this year. I am Don Waller, a cotton and timber producer from Mississippi and president of the Mississippi Farm Bureau Federation. I am also representing the American Farm Bureau Federation in addressing the very serious weather problems throughout the country.

In 1988, many farmers were fighting the effects of a severe drought. Now, a year later, we find them facing potentially crippling crop losses as a result of excessive moisture. The conditions existing in many states can best be described as "critical." While it will be some time before the final numbers can be tabulated, it can be said without a doubt that many farmers are facing heavy economic losses due to the excessive rainfall over the last 90 to 120 days.

While I am testifying on behalf of farmers in several states, my review of the 1989 crop year is going to focus on the situation I know best, the situation faced by Mississippi farmers. Despite focusing on just one state, please realize that the same circumstances can be found in a wide area across our nation.

At the onset of the 1989 growing season, some areas were actually below normal in rainfall totals. However, that condition was not to last long. Statistics show that during the last three to three and one-half months our state has been blanketed by rainfall, with totals ranging from 5 to 20 inches above normal for the period.

Just in the past month, some of our state's most productive agricultural areas have received amounts of rainfall ranging from 4 to 15 inches. This rainfall on top of already saturated soils resulted in the flooding of vast acreage of cropland. Even those areas receiving only moderate rainfall have experienced severe flooding due to the runoff from the other flooded areas.

Our state and those other states are wet, and the farming situation is, as one county Extension Service agent put it, "a mess." As farmers, we are eternal optimists, but the prospects for 1989 do not look very bright.

Let me now review some of the individual crop situations found across Mississippi.

In looking at the 1989 Mississippi cotton crop, it has been projected by Extension Service specialists that even with ideal weather conditions from now through harvest, our farmers could be as much as 125-130 pounds of lint per acre below the 1988 statewide average of 729 pounds.

During 1989, replanting has been the rule, rather than the exception. Due to some fields actually being too dry to get an acceptable early stand; to persistent rains in May, June and early July, and to record or near record night time low temperatures in May and early June, over 50 percent of the cotton acreage had to be replanted at least once, with some fields being replanted three or more times.

The prolonged cool, wet soil conditions and overall poor growing conditions have caused our cotton to suffer severely from seedling diseases and herbicide injury. Recent rains have compounded the problem by flooding thousands of acres, and a substantial portion of that land remained under water for 3 to 4 days. This has resulted in some acreage being completely lost and the remainder has been severely set back from the associated stress.

The wet field conditions have also resulted in little or no weed and insect control, placing even more stress on surviving plants.

The situation reported by the Mississippi Agricultural Statistics Service is this: 79 percent of the cotton crop is squaring and 10 percent is setting bolls; this is compared to a 90 percent and 26 percent five-year average. The lateness of this year's crop is going to require growers to save and protect blooms set much later than normal, thus increasing production costs while facing reduced yields.

The 1989 soybean crop in Mississippi is said to be in worse shape than in the drought-stricken season of 1988. Based on 1988's production, that is a strong statement. However, due to all of the weather-related conditions of the 1989 soybean crop, I feel that statement is justified.

Rainfall experienced in May, June and early July has delayed planting or replanting well beyond the recommended planting dates. The latest survey indicates that around 75 percent of the intended soybean crop had been planted

as of July 10. This compares to 89 percent during last year's drought and to a 94 percent average of the past five years. Of the crop planted this year, only 61 percent has emerged.

For those farmers who have achieved a stand, the excessive rainfall has either flooded their fields or has restricted proper development of their plants. Many have been unable to apply much needed herbicides, thus seeing weeds threaten their potential yields.

A large number of farmers have paid cash rent, purchased seed, applied fertilizer and chemicals and incurred other expenses, both seasonal and fixed, without the opportunity to plant their crop or a portion of their crop. Due to the outlay of such expenses, many farmers are feeling the pressure to plant as soon as weather and field conditions allow. This is risky at best, as planting this late provides only a small chance for success.

It has been projected that over one million acres of Mississippi's soybean crop will be planted or replanted after July 15, if at all.

Where conditions have allowed or will allow soybeans to emerge and grow, much concern is being expressed about the development of the plants' root systems and their ability to cope with even a short-term drought in August or September. As of July 10, 60 percent of the state's soybean crop has been rated as being in poor or very poor condition.

In situations where beans are double cropped with wheat, those farmers are being hit from both sides. A prime example is the situation being experienced by the chairman of our organization's Wheat and Feed Grain Committee. This North Mississippi farmer grows over 4,000 acres of wheat, double cropped with soybeans. Due to the extremely wet weather, he has been able to harvest less than two-thirds of his wheat crop. The wheat remaining in the field is losing quality, to the point where it is virtually unfeasible to finish harvesting.

Of the wheat acreage harvested, he has been able to plant only one-third of it back to soybeans.

You can take his situation and apply it to most farmers across the entire state.

Over the past few years, many Mississippi farmers have moved toward alternative crops in order to survive the ups and downs associated with traditional crops. Those farmers are also finding themselves being impacted by the uncharacteristic weather conditions of 1989.

For example, those who turned to watermelons are finding their crops rotting in the fields. The heavy June rains are credited with destroying almost

4,000 acres of watermelons in a nine-county area of South Mississippi, and 15,000 acres stateside.

In one county, the average yield expected is normally 20,000 pounds per acres. The county Extension Service agent is predicting this year's county average to be around 3,000 pounds, "if we are lucky." One farmer's harvest has been reported as only 600 pounds per acre.

Virtually every commodity produced in Mississippi has been negatively impacted by the weather conditions of 1989. The situation is so critical that one-third of the state's counties have been declared as disaster counties by the governor's office, with the potential for many others being added to the list.

Many farmers who would have received some protection through the Federal Crop Insurance program are now completely exposed because of not being able to meet the June 25 deadline for planting.

I cannot impress upon you enough the seriousness of the situation in Mississippi and across the central and eastern United States. Due to the excessive rainfall, our farmers are in trouble, and many are going to need help if they are to survive and remain in a position to help meet this nation's food and trade needs.

It's going to be several months before the enormity of the situation will be fully realized. However, when it becomes apparent, we need legislation in place that will offer some assistance to those farmers who have experienced heavy losses.

Obviously other parts of the country are experiencing different forms of weather problems this year. The serious drought of 1988 has continued into the current crop year for many farmers. Producers who planted commodities in the fall of 1988 expecting to harvest a crop this year have suffered losses from inadequate moisture for initiating and sustaining plant growth. Some areas have experienced insufficient snow cover to protect winter crops from freezing temperatures. The result has been extensive losses in winter wheat output as a result of drought.

The seriousness of this year's weather problems could potentially approach the extent of losses experienced last year as measured in total losses. Certainly for individual producers the losses in many cases are as severe or worse than conditions last year. Farm Bureau believes that disaster relief measures are warranted by the extent of the losses that I have related to you.

The AFBF Board of Directors met in June and reviewed the options that should be pursued to provide assistance to farmers affected by disastrous weather this year. The general consent was that the form of disaster payments authorized in last year's Disaster Assistance Act was a good response

to that critical situation and should serve as a model for disaster relief in 1989 as well. Therefore, the AFBF board approved an action calling for support of H.R. 2467 as approved by the House Agriculture Committee and the full House.

Some will criticize the bill for being too inclusive of every condition causing production losses in agriculture. We recognize that agriculture is a risky business and each year some farmers experience production losses for which government compensation should not be expected. However, in a year like 1989, some disasters are likely to warrant disaster payments. It would be arbitrary and unfair to provide disaster payments to cover one condition but deny assistance to producers whose losses are just as severe, but who happen to have been affected by a different calamity or produce a different commodity.

AFBF and Mississippi Farm Bureau therefore support adoption of a broadly defined disaster payment program similar to that approved by the House. We believe as a matter of equity and in fairness to all agricultural producers, such a program cannot arbitrarily exclude large segments of agriculture who have been seriously affected by this year's weather while disaster payments would be extended only to a select segment of agriculture.

While the vast majority of our farmers would prefer to avoid receiving federal assistance, let me just remind you that in this situation such help is their only hope.

Again, let me thank you for this opportunity to discuss with you the desperate situation facing many of our farmers. I also want to assure you that our organization, on the state and national levels, stands ready to work with you in seeking a solution to our farmers' needs.

PREPARED STATEMENT OF HON. J. BENNETT JOHNSTON, A U.S. SENATOR FROM LOUISIANA

Mr. Chairman, I would like to take this opportunity to share some details with the committee on the extent of the damage which my State has endured from torrential rains, floods and tornadoes in recent months. I would also like to make some suggestions on what I believe would be the proper congressional response to this disaster.

From May 4 through May 27, 1989, severe thunderstorms and flooding pounded Louisiana. Then, on June 7 and June 8, tornadoes struck, causing millions of dollars of property damage throughout the State, including serious damage and extensive damage to the agricultural sector. While soybeans and cotton have been especially hard hit, rice, grain sorghum, corn and wheat have also suffered severe losses. At this point, with many fields still underwater, it is difficult to judge the full extent of the damage. But while it is still unclear exactly how extensive it is, I find it extremely telling that individuals who have been farming for many decades are calling my office from throughout the State saying that it is the worst flooding they have ever encountered in their lives.

For a true gauge of just how destructive this weather has been to Louisiana, one need only look at the expansive area where President Bush has declared natural disasters as having occurred. Thirty-four parishes in Louisiana, over half the State, have been declared disaster areas. These parishes are: Beauregard, Tangipahoa, East Baton Rouge, West Baton Rouge, Iberville, Livingston, St. Helena, St. Martin, St. James, Acadia, Allen, Bienville, Caddo, Caldwell, Calcasieu, Claiborne, East Feliciana, Franklin, Grant, La Salle, Lincoln, Madison, Morehouse, Natchitoches, Ouachita, Red River, Richland, Sabine, St. Landry, Union, Vernon, Vermilion, West Carroll, and Winn.

A good example of just how bad things are in Louisiana can be provided by one of my constituents, a young family farmer named Greg Leger from Maringouin in Pointe Coupee Parish. After being prevented from planting a Winter wheat crop due to the extraordinary rains we suffered last December in Louisiana, Greg was left with nothing to harvest and no crop to look forward to until this season's soybeans. He had succeeded in getting about a third of his farm's 700 acres in the ground when the rains came. From May 23 until today, his farm has received 57 inches of rain and it is still pouring. Of the acres he planted, none will produce any crop. The best he can hope for is that the rains will subside soon and that he will be able to keep the ground dry and fallow enough to plant a Winter wheat crop. That, in itself, is awfully optimistic. Greg Leger is the type of farmer we need in agriculture today. He runs a fine, efficient operation. He is young, bright and energetic. But very possibly, the havoc the weather has wreaked on his operation during the past year is going to force him to look for other work. It has simply ceased to be a profitable venture. This is the type of individual who needs and deserves disaster assistance.

This disaster has not been limited to Louisiana alone. Throughout the South, crop conditions are deteriorating because of terrible flooding and other adverse weather conditions. I am not alone then in my concern over the situation and my interest in seeing rightful assistance go to these individuals who desperately need it. For that reason, I am very supportive of the legislation the House passed recently, the Disaster Relief Act of 1989. This bill adequately addresses the disaster and the dire situation in which it has placed farmers. It should be passed and passed soon.

While there is no debate that the assistance we provided last year to victims of the drought was necessary and correct, I believe we must be careful not to overlook the other disasters which have occurred since then and which just as readily warrant our attention. The flooding, heavy rains and tornadoes we have experienced in Louisiana and throughout the South demand attention. I know the Winter wheat crop sustained terrible damage from the drought and I firmly agree this damage should be addressed. But I do not believe we owe Winter wheat farmers who were harmed by the drought any more consideration than we are willing to give those farmers who produce soybeans or cotton and who now have little more to do with their time than to trudge through rain-soaken rows and contemplate how long it is going to be before they can even get a tractor out of the barn and into the field. In most cases in my State, the damage has been so total and so severe that there is simply no hope for these farmers to even plant again this year.

I am only requesting that the committee show the fair and even-handed consideration which they have demonstrated in the past on similar issues and which this situation calls for as well. A disaster is a disaster. An act of God is an act of God. What we have experienced in Louisiana, as of late, is no less a tragedy for farmers

than the drought was. We need to be responsive and demonstrate that we are equally concerned and I think a disaster relief initiative like that which was passed by the House provides an excellent opportunity to do so.

Mr. Chairman, modern technology cannot stop the rains that continue to fall in Louisiana or cause the flood waters to recede. What it can do is record the devastation which has occurred to demonstrate just how severe it is. I am therefore providing you with a videotape which was made of the flooding in the northeast Louisiana area in the hopes that it will show, more clearly than my words, what has taken place.

I am also providing you with a copy of an amendment which was proposed by my colleague, Congressman Huckaby, concerning the manner in which disaster payments are made. This proposal corrects a situation which is totally inequitable and, whether you choose to consider it today or in the future, I believe it is worthy of your attention.

[Amendments proposed by Congressman Huckaby follow:]

NO. 1 BY MR. HUCKABY

After Section 111, add the following:

Section 112. PRODUCER ELIGIBILITY.

A producer on a farm who produces any crop of a commodity for which disaster payments are made available under this subtitle shall qualify for a disaster payment if the total quantity of the commodity that the producer is able to harvest on that farm is reduced as a result of damaging weather in an amount that meets the criteria of the applicable section of this subtitle, even though the producers on the farm, collectively, may not meet such criteria.

NO. 2 BY MR. HUCKABY

The Disaster Assistance Act of 1988 is amended by adding a new section as follows:

Section 213. PRODUCER ELIGIBILITY.

A producer on a farm who produces any crop of a commodity for which disaster payments are made available under this subtitle shall qualify for a disaster payment if the total quantity of the commodity that the producer is able to harvest on that farm is reduced as a result of damaging weather in an amount that meets the criteria of the applicable section of this subtitle, even though the producers on the farm, collectively, may not meet such criteria. A person eligible to receive payments under this section shall make application for such payments not later than 90 days after the date of enactment of this section or such later date that the Secretary, by regulation, may prescribe.

In approving the Disaster Assistance Act of 1988 (PL 100-387), it was the intent of the Committee to provide assistance to every individual farmer who suffered crop losses greater than 35%. The manner in which Department of Agriculture implemented the law discriminated against some farmers who clearly suffered devastating losses but were ineligible for benefits under the disaster assistance program. Producers who rent land from a farm which also rents to other farmers in many cases found themselves ineligible for assistance because the farm as a whole did not suffer major losses, even though a number of the individual producers on that farm may have suffered total losses of production. This inequity is due to the fact that in calculating losses for the purpose of determining the assistance level, the Department considers the production of the whole farm, not the crops produced by each individual farmer. For example, on a farm rented by two separate, unconnected farmers, one producer might rent irrigated land while the other farms without irrigation. If the farmer with irrigation produces normal yields and the farmer without irrigation suffers a devastating loss, in many cases the non-irrigated farmer may not be eligible for assistance because the average yield of the farm as a whole is not significantly reduced, not withstanding the fact that he in no way benefits from his neighbor's success. This situation is totally inequitable and unfairly penalizes hundreds of farmers throughout the Nation. No farmer who has suffered serious losses on his own crops should be denied critical assistance just because he rents land that has the same farm number as that farmed by other producers.

Congress of the United States

House of Representatives

Washington, D.C. 20515

STATEMENT BY CONGRESSMAN WM. L. DICKINSON (R-AL)
BEFORE THE SENATE AGRICULTURAL COMMITTEE
ON BEHALF OF
DISASTER ASSISTANCE FOR 1989

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SENATE AGRICULTURAL COMMITTEE, I WOULD LIKE TO SUBMIT FOR THE RECORD MY SUPPORT FOR FAIR TREATMENT OF ALL COMMODITY CROPS WHEN CONSIDERING DISASTER ASSISTANCE LEGISLATION FOR 1989. LAST WEEK, THE HOUSE PASSED ITS VERSION OF THIS BILL, H.R. 2467, WHICH EXTENDS ASSISTANCE PROVIDED UNDER THE 1988 ACT.

BASED ON FIGURES FROM THE CURRENT GROWING SEASON, I AM PLEASED TO REPORT THAT DROUGHT CONDITIONS IN MY CONGRESSIONAL DISTRICT HAVE ABATED, AND MANY FARMERS ARE LOOKING FORWARD TO A PROFITABLE YEAR. LAST MONTH HOWEVER, GENEVA COUNTY, WHICH BORDERS ON THE ALABAMA / FLORIDA LINE, WAS HIT WITH AN ISOLATED HAIL STORM. CONSIDERABLE DAMAGE WAS INFLICTED ON MANY CROPS THROUGHOUT THE COUNTY. THE AGRICULTURAL STABILIZATION & CONSERVATION SERVICE, ALONG WITH THE GENEVA COUNTY EXTENSION OFFICE REPORTED LOSSES ON TOMATOES (75%), WATERMELONS (80%), FIELD PEAS (50%) AND CANTELOUPES (80%). SOYBEAN AND COTTON FARMERS ARE ALSO DECLARING LOSSES ON THEIR CROPS DUE TO EXTENSIVE HAIL DAMAGE. MOST OF THE AGRICULTURAL AREAS I REPRESENT ARE FARING MUCH BETTER IN COMPARISON WITH THE LAST FOUR YEARS. HOWEVER, DISASTER ASSISTANCE PROVIDED BY THIS MEASURE FOR FARMERS IN GENEVA COUNTY WOULD ALLEVIATE SOME POTENTIAL FINANCIAL HARDSHIPS.

MR. CHAIRMAN, I OFFER MY FULL SUPPORT FOR THE EQUITABLE DISTRIBUTION OF DISASTER ASSISTANCE FOR ALL PROGRAM AND NON-PROGRAM CROPS FOR 1989, AND URGE PROMPT CONSIDERATION IN CONJUNCTION WITH THE HOUSE MEASURE PASSED LAST WEEK.

THANK YOU.

WASHINGTON ASSOCIATION OF WHEAT GROWERS
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Hearing on Drought

Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, D.C.

July 13, 1989

Bill Schwerin, president
Washington Association of Wheat Growers

The Washington Association of Wheat Growers would recommend that Congress extend disaster assistance for the 1989 wheat crop.

Traditionally, Washington is a winter wheat producing state. In 1988 our wheat farmers produced 125 million bushels on 2 million acres. Approximately 87 per cent of the wheat produced in 1988 was winter wheat. Primarily, our state produces soft white wheat.

There has been much publicity about the projected winter wheat crop in Kansas being 38 percent lower than last year. The Washington state winter wheat crop is also projected to be low, some 36.7 percent below the 1988 production. In 1988, a number of our growers in the central region of the state experienced drought conditions that resulted in poor crops. This drought continued into last fall and winter. Our spring precipitation, however, has been above average and replenished some of the deficiency. Unfortunately, over half of the state's winter wheat acreage was damaged by the below zero temperatures and strong north winds that occurred in early February. Damage to individual fields ranged from total crop loss to injured wheat in the northern exposures. The most severe injury occurred in the north central region of the state but growers are reporting damage in the southern and eastern regions.

A large percentage of the state's wheat growers are users of federal crop insurance, but insurance will cover only about one half the benefits a grower can anticipate in a normal crop year. The best coverage a wheat grower can purchase consists of $3 per bushel price times 75 percent of the grower's average yield for a ten year period. Current wheat prices at the farm are about $4 per bushel, which makes the rate used by crop insurance about 75 percent of the actual value. A farm with a 50 bushel yield in an average year could expect to gross $200 per acre (50 bu. x $4). But crop insurance would only guarantee $112.50 (.75 x 50 bu. x $3).

Compounding our state's economic concerns, growers with crop insurance are required to reseed winter damaged wheat to spring wheat. Spring seed wheat was in short supply, costing $10 - $12 per bushel, and normally yields about 60 percent of what might be anticipated from fall wheat. Seeding spring wheat is generally a losing proposition since it involves several tillage operations, the addition of fertilizer, and 1 to 1 1/2 bushels of seed per acre. Crop insurance is helpful but in 1989 it will cover only a portion of farmer's out of pocket cost if he experiences a disaster.

We believe that extending the disaster provisions of the 1988 legislation to the 1989 wheat crop would assist in the survival of those growers in Washington state who will experience a substantial loss due to winter damaged wheat.

The Washington wheat growers would hope that any legislation would address the needs of those farmers who have seeded wheat the fall of 1988 but due to weather problems had to reseed to spring wheat.

We appreciate the opportunity to express our concerns regarding assistance. If we can provide any additional information on this subject please contact us.

The Washington Association of Wheat Growers represents the wheat industry in Washington state, with 3400 voluntary grower members, in thirteen organized counties. The WAWG was founded in 1953.

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Statement for the Record
Submitted by Texas Farm Bureau
Senate Agriculture, Forestry & Nutrition Committee
Disaster Assistance Hearing
July 13, 1989

The Texas Farm Bureau supports H.R. 2467 as passed by the House of Representatives and would urge approval of this legislation by the Senate Agriculture Committee without amendments.

As has been evidenced previously, the wheat harvest has been significantly below estimates all year on a national basis, and specifically yields in Texas have been 30 to 40 percent of normal production. Obviously, this disaster situation is at the heart of the purpose for this hearing.

In Texas, however, 1) Disastrous conditions have affected other crops just as significantly as the wheat affectation. 2) Cotton producers in the High Plains have replanted as many as three times due to the hailstorms which occurred in the months of May and June; 3) In most cases, those producers who have been fortunate enough to obtain a suitable stand will not have adequate growing season to develop a cotton crop. In addition, many producers in the high plains area are unable to switch to alternate crops to recoup their losses.

Some areas of the state are extremely dry, such as South Texas, with less than average annual rainfall the last three years. These situations created shortfalls in all crops including sorghum and corn in addition to wheat losses. Many areas of the state have experienced excessive amounts of rain in unlikely time periods. For instance, Hurricane Allison recently hit the upper coastal bend region of Texas and dumped as much as 25 inches of rainfall in a three-week period. In addition to the

adverse moisture conditions, much of the state suffered through at least two late freezes which further reduced production of many crops.

Many producers of minor crops will also be aided by this bill. Some of these, such as pecan producers, did not have available to them any Federal Crop Insurance coverage. In some areas, these producers lost almost their entire production due to late freezes and dry weather.

As the committee is aware, deficiency payments for Program Crops are determined by subtracting the national average farm price from the target price. The effects of disaster generally means higher prices. However, higher prices mean lower deficiency payments, lower prices mean higher payments. In theory one offsets the other on the farmers bottom line. But higher prices mean nothing to a producer with nothing to sell. So the theory becomes myth to thousands of producers with hailed-out, droughted-out or frozen-out crops.

In summary, the Texas Farm Bureau would respectfully request the Senate Agriculture Committee to approve H.R. 2467 as passed by the House of Representatives.

STATUS REPORT

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CRS Issue Brief

Agriculture, Drought, and the Federal Response

Updated July 5, 1989

by
Ralph Chite
Environment and Natural Resources Policy Division

Congressional Research Service • The Library of Congress

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Agriculture, Drought, and the Federal Response

SUMMARY

Although portions of the Nation have begun to recover from the severe drought of 1988, many growing regions entered 1989 in an extremely fragile condition. Some areas still need several inches of precipitation to end drought conditions and are unlikely to improve significantly this year even with a return to normal patterns. For most regions, soil moisture is adequate for germination and early plant growth, but because of poor subsoil moisture, timely rains will be necessary to sustain growth during the summer months.

Attention has currently shifted to the Great Plains States, where nearly one-half of the winter wheat crop is normally grown and drought-induced production declines are concentrated. The U.S. Department of Agriculture (USDA) estimates that U.S. winter wheat production will be down 10% this year compared to last year, despite a 12% increase in planted acreage. In Kansas, where one-fifth of all U.S. winter wheat is grown, production is expected to be down 37%.

Although a number of disaster assistance programs under the auspices of USDA were already in effect, Congress passed the Disaster Assistance Act of 1988 last August to cushion farmers from the economic consequences of the 1988 drought. When payments are completed, the legislation will have channeled approximately $4 billion to drought-affected producers in disaster payments and various other assistance. The House passed the 1988 Disaster Assistance Extension Act (H.R. 2467) on June 27, 1989, to extend an estimated $940 million in additional disaster payments to producers of all annual crops in 1989. Other legislation is currently being considered by the Senate Agriculture Committee that would make payments to primarily winter wheat producers.

The Secretary of Agriculture has announced a series of measures to provide assistance to farmers and ranchers currently suffering from drought conditions. Counties that have been designated drought areas will qualify for emergency feed programs, and producers may also be able to cut hay and graze animals on some idled acreage normally ineligible for such activities. Crop producers who have experienced a total crop loss may also qualify for farm program payments on their failed acreage. Ongoing programs for crop insurance and emergency disaster loans are also available for eligible producers.

Spring wheat, soybeans, and corn were the crops most seriously affected by the 1988 drought. USDA estimates that U.S. production of grain and soybeans in 1988 was down nearly one-third from 1987's volume and that by the end of this summer the Nation's once bountiful surplus of grain will be less than one-half of last summer's levels.

For the longer term, drought conditions could have a significant impact on future farm policy decisions. If conditions persist, the 1990 farm bill could be crafted in an environment of diminished stocks, much in contrast to the 1985 legislation. The expense of the Disaster Assistance Act has encouraged policymakers to seek ways to bolster the crop insurance program, which has not lived up to its billing as a permanent replacement for direct payments.

ISSUE DEFINITION

Many major agricultural regions were affected by one of the worst droughts in U.S. history in 1988, and some continue to be affected in 1989. The current concern is whether the severity of the drought of 1988 will be repeated in 1989. If drought conditions persist, U.S. crop supplies could be severely diminished. The appropriate type and level of Government response to those affected by such natural disasters as well as the overall economic consequences of persistent drought continue to be at the center of the debate.

BACKGROUND AND ANALYSIS

Overview

The Drought of 1988

The drought of 1988 was one of the worst droughts in the Nation's history. In mid-July, when conditions were at their worst, nearly 43% of the Nation was experiencing extreme or severe drought conditions. The 1988 drought ranked fourth in terms of area covered by extreme or severe drought, behind the droughts of 1934 (61%), 1936 (45%), and 1954 (44%). For the Corn Belt, where the majority of the Nation's corn and soybeans are grown, nearly 62% of the region experienced persistent drought, the third worst experience in U.S. history.

By mid-August 1988, areas that were suffering "extreme" drought, the most abnormal degree of dryness in the rating system used by USDA, centered in several areas: the intermountain area of eastern California and eastern Oregon, the Northern Plains and northern Rocky Mountain States, the Southeast, the eastern portion of the Corn Belt, and a large portion of the Lake States. When areas suffering from the less intense "severe" and "moderate" drought were added, well over one-half of the country, including most of the major agricultural regions, were affected. By late August, more than 2,200 counties were eligible for some type of disaster assistance offered by USDA. Also in August, the Disaster Assistance Act of 1988 (P.L. 100-387) was enacted to channel an estimated $4 billion in disaster payments to drought-stricken producers.

Current Drought Conditions

The lack of significant snowfall last winter and large precipitation deficits in portions of major growing regions raise the possibility of continued drought in 1989. Meteorologists are optimistic that a drought of last year's magnitude will not be repeated this year, as current conditions indicate a return to more normal precipitation levels and weather patterns. The general consensus among forecasters is that soil moisture should be adequate to allow early plant development, but because of poor subsoil moisture, timely rains will be needed to sustain plant growth through the summer months.

The map in the appendix of this brief illustrates the extent of the current drought. A distinct westward shift in drought conditions has occurred this year. Currently, the Great Plains, the western Corn Belt, the Mountain States, the Pacific Northwest, and portions of North Dakota, Idaho, Washington, Texas, and Florida are experiencing severe or extreme drought conditions. Large portions of the States east of the Mississippi River are under moist conditions, which delayed the planting of corn and soybeans in the eastern Corn Belt and could damage their prospective yields.

Portions of some regions still need more than 10 inches of above-normal precipitation to end drought conditions. USDA meteorologists predict that it could take more than 2 years before water table levels return to normal in these regions. The precipitation deficit is worst in eastern and southern Iowa, west-central Illinois, northwestern Missouri, northeastern and central Kansas, southeastern Nebraska, and southeastern Texas.

Despite the continuation of drought in some regions, overall prospects for the Nation's major crops is promising. Timely rains in many growing regions have contributed to 65% of corn, 56% of soybeans, and 77% of spring wheat being in good or excellent condition as of June 25, 1989, compared to 21% of corn, 17% of soybeans, and only 6% of spring wheat last year. This month is the critical pollination and tasseling period for corn, when the plant depends on adequate precipitation for proper development.

Condition of the 1989 Winter Wheat Crop. Based on conditions as of June 1, USDA projected that the 1989 U.S. winter wheat crop, which was planted in the fall of 1988 is currently being harvested, will be 10% smaller than last year, despite a 12.2% increase in planted acreage. Projected production of 1.41 billion bushels would be 153 million bushels from last year, the smallest production level since 1978. Yields are estimated at 34.5 bushels per harvested acre, down from 39.2 bushels last year.

Production declines are concentrated in the five States that together normally account for one-half of all U.S. winter wheat production (see **Table 1**). In these five States the crop condition is so poor that 9 million of the 31.2 million acres planted to winter wheat reportedly will not even be harvested. The five States are expected to harvest 535 million bushels, down 30% from last year. Kansas normally accounts for 20%-25% of the total U.S. production, but the State is expected to produce 37% less than last year. Great Plains States produce most of the Nation's hard red winter wheat, which is used in most breads and hard rolls. Washington specializes in the production of white wheat, used for flat breads, pastries, crackers, and noodles.

Although the five largest producing States appear to be headed for a severe crop loss, the rest of the Nation is expected to experience a relatively good winter wheat harvest. Collectively, the other 37 States producing winter wheat are expected to produce 10.4% more than last year, about equal to the increase in planted acreage. Production outside of the Plains States and Washington is widely scattered, but the greatest increases in production are anticipated in Illinois, Arkansas, Ohio, Missouri, where much of the Nation's soft red winter wheat is produced.

TABLE 1. Expected Production of 1989 Winter Wheat
(in millions of bushels)

	1989 Production (indicated)	1988 Production	% Change
Kansas	202.4	323.0	-37.3%
Oklahoma	145.8	172.8	-18.7%
Washington	68.9	108.5	-36.5%
Texas	58.8	89.6	-22.0%
Colorado	58.8	75.9	-11.5%
5 State Total	534.7	769.8	-30.5%
All Other States	873.2	791.2	+10.4%
U.S. Total	1,407.9	1,561.0	- 8.4%

Source: *USDA Crop Production Report*, June 12, 1989.

Legislative Initiatives

House Action

The House passed the 1988 Disaster Assistance Extension Act (H.R 2467) on June 27, 1989. The Act would extend disaster payments made under the Disaster Assistance Act of 1988 to all producers affected by drought and virtually all other adverse weather conditions in 1989. The formula for the payments would be the same as for 1988 disasters: 1) on losses between 35% and 75% of normal yields, the producer would receive on that portion of the loss a payment equal to 65% of the target price, loan rate, or market price, depending on the crop; 2) for yield losses in excess of 75%, that portion would entitle the producer to a payment of 90% of the relevant price. (See archived CRS Issue Brief 88073 for a summary of the 1988 Act.)

A provision in the House bill would limit total expenditures for disaster payments to the amount of drought-generated savings in commodity payments during FY89 and FY90. Program savings are generated when drought occurs, because market prices for commodities rise, thus requiring smaller deficiency payments than what was originally budgeted. The Congressional Budget Office estimates that the total cost of the legislation would be $964 million, slightly higher than the $940 million it estimates for farm program savings.

Senate Action

The Senate Agriculture Committee has scheduled a hearing for July 13 on S. 1044, which has a much narrower scope than H.R. 2467. The Senate bill would extend disaster payments only to producers that planted a crop in 1988 and harvested in 1989. The primary recipient would be winter wheat producers. The committee has scheduled markup of the bill for July 19, and floor action is anticipated by the end of the month.

Administration Position

Both the Secretary of Agriculture and the Director of the Office of Management and Budget have recommended that the President veto the House bill in its current form. Administration officials are willing to support the provisions of the Senate bill, since winter wheat producers are in the midst of a drought-reduced harvest. They contend that it is too early to extend disaster payments to producers of fall-harvested crops such as corn and soybeans, and that such a move would further damage the integrity of the crop insurance program.

Available Assistance for 1989 Disasters

USDA Response

The Secretary of Agriculture has announced a series of measures using existing legislative authority that provide assistance to farmers and ranchers currently suffering from drought conditions. Some of these measures are similar to those implemented administratively last year when drought conditions were intensifying, and are designed to forestall widespread livestock slaughter caused by feed shortages and to offer some assistance to crop producers expecting to experience a significant loss of production.

Emergency Feed. Although the Disaster Assistance Act of 1988 authorized crop disaster payments for only 1988 disasters, the Act does give the Secretary the ongoing authority to institute an array of livestock assistance programs in the event of a livestock emergency. The Secretary has decided to implement two of these programs (both were used quite heavily during the 1988 drought): (1) the Emergency Feed Assistance Program (EFAP) provides farmers who have experienced a large loss of feed production due to a natural disaster with Government-owned grain at a price equal to 50% of the average county market price; and (2) the Emergency Feed Program (EFP) provides financial assistance to producers that experience a similar large loss of on-farm feed and purchase their needed feed in the private marketplace. USDA will pay up to 50% of the cost of purchased feed, not to exceed 5 cents per pound, to cover the lesser of the farmer's feed needs or on-farm feed loss.

To qualify for assistance in 1989, the Governor of the affected State or the county Agricultural Stabilization and Conservation Service committee must submit a request to the Secretary for approval. The Secretary is required to respond within 30 days, but Secretary Yeutter has directed USDA officials to respond to eligibility requests within 24 hours.

As of June 29, 214 counties in 11 States and 191 counties in nine States have been approved for EFP and EFAP, respectively. The nine EFAP States are California, Colorado, Iowa, Kansas, Missouri, Nebraska, Texas, Ohio, and Utah. These nine States and Arizona and New Mexico qualify for EFP. Last year more than 2,000 counties in 41 States were eligible for either emergency program during the 1988 drought.

Haying and Grazing. Producers in counties declared eligible by USDA will be permitted to cut hay and graze livestock on land idled under the acreage reduction program (ARP), the paid land diversion program, the 0/92 program (see below), and with restrictions, the conservation reserve program. The idling of land is a requirement of producers of wheat, feed grains, cotton and rice in order to receive price support loans, deficiency payments and other benefits. USDA is permitting haying and grazing on eligible acreage because pasture range feed conditions are in poor condition in many regions. As feed conditions deteriorate, some producers are compelled to send their livestock to slaughter prematurely.

On April 26, the Secretary of Agriculture authorized on a county-by-county basis haying and grazing on set-aside land in all of the above programs except for the CRP, in the five designated growing months when this cropland is normally idle. (Haying and grazing was previously allowed in the seven non-growing months with USDA approval.) Beginning May 24, the Secretary permitted any State that has 75% or more of its counties eligible for haying and grazing in the 5-month period to qualify the entire State for assistance.

The Secretary opened the program to CRP acreage on a county-by-county basis on June 2, with several restrictions. Acreage in the CRP is highly-erodible land set aside for a 10-year period, and entitles the farmer to Government payments for retiring the land. Many conservationists view use of this land for haying and grazing as defeating the purpose of the program. Therefore, participants will be allowed only one cutting of hay, which must be made before July 15, must leave at least three inches of stubble behind, and must also reserve 25% of the land for wildlife cover. Grazing will be approved on a case-by-case basis by the USDA Soil Conservation Service and will expire on August 1. Any producer that uses CRP land for haying or grazing will receive a 50% reduction in next year's rental payment.

USDA will sell at a discount hay raised on farmland owned by the agency's farm lender, the Farmers Home Administration (FmHA). FmHA currently owns 1.3 million acres of farmland forfeited to the agency when borrowers defaulted on debt payments. FmHA will also allow farmers to use its inventoried property for cattle grazing property it owns in eligible counties.

As of June 29, haying and grazing of CRP acreage has been approved for 330 counties in 14 States (California, Colorado, Iowa, Kansas, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, and Wisconsin). Haying and grazing on all other set-aside acreage during the five growing months has been approved in 822 counties in the same 14 States and Florida, Illinois, New York, and Ohio.

0/92 Payments. In a move designed primarily to assist ravaged winter wheat producers in the Great Plains, USDA will make 0/92 payments to any qualified producer that signed up for a 1989 farm program by the April 14 deadline. Under the 0/92 program, a producer does not have to plant the program commodity but rather can devote as much as all of his acreage to conserving use for a year and be guaranteed the projected deficiency payment for that crop. (USDA has projected that the deficiency payment for wheat producers at 50 cents per bushel.) Normally, USDA requires a producer to enter the 0/92 program by the same deadline for other farm programs. In effect, USDA is offering qualified producers the opportunity to participate in the 0/92 program retroactively, as long as the producer has a total loss and does not plant another crop.

Ongoing Government Assistance

In addition to the special initiatives above, USDA offers the following disaster programs on an ongoing basis.

Crop Insurance. Crop insurance is available through USDA's Federal Crop Insurance Corporation (FCIC) for virtually every major crop produced in most areas, but only to producers that enrolled in the program prior to the deadline. (Deadlines vary by crop but usually coincide with the planting season.) Producers can opt to cover 50%, 65%, or 75% of the yield average for the crop, and the cost of such insurance is subsidized by the Government at a rate of up to 30%. Insurance payments are triggered based on individual losses, regardless of whether the farmer's region was declared a disaster area.

Preliminary estimates from FCIC are that between $800 million and $1 billion in premiums have been paid by producers in 1989, compared to $436 million last year. These figures indicate that enrolled acreage in the 1989 programs may reach 50%, which has long been the goal of the crop insurance program. Participation levels, which have been low in the past, are estimated to be significantly higher this year because of higher price coverage, frozen premiums, and prolonged drought conditions in many areas.

Emergency Disaster Loans. Once a county has been declared a disaster area, an affected producer may become eligible for low-interest emergency disaster (EM) loans from USDA's Farmers Home Administration (FmHA). To qualify for an EM loan, a producer must: (1) be a family farmer, (2) experience a production loss of more than 30%, (3) have an insurance policy through FCIC (the Disaster Assistance Act of 1988 waives the crop insurance requirement for 1988 disasters only) and (4) be unable to get credit from a commercial lender, but still show the potential to repay the loan. A qualified borrower can borrow up to 80% of the actual production loss or $500,000, whichever is less, at an interest rate of 4.5%.

More than 1,500 counties in 45 States are eligible for emergency loans this year because of the 1988 drought. A $600 million budget is available for FY89 EM loans; as of June 14, $60 million had been obligated.

Implementation of the Disaster Assistance Act of 1988

The Disaster Assistance Act of 1988 (P.L. 100-387), which was expected to make available more than $4 billion to drought-stricken farmers, was signed into law by President Reagan on Aug. 11, 1988. This represents the largest agricultural disaster relief package ever enacted by Congress. As of June 1, USDA had obligated $3.7 billion under the Act, primarily in disaster payments and livestock assistance.

Eligible producers had until Mar. 31, 1989, to apply to the local USDA Agricultural Stabilization and Conservation Service office for disaster payments. Payments were based on the target price or market price of the commodity and were restricted to producers with a minimum 1988 crop loss of 35%.

Disaster Payments: As of June 1, USDA had made crop disaster payments of $3.3 billion to 699,477 producers. Accounting for one-half of the total assistance were five States: North Dakota ($396 million), Illinois ($368 million), Wisconsin ($350 million), Iowa ($311 million), and Minnesota ($285 million).

Livestock Assistance: To assist livestock producers suffering from a loss of on-farm feed due to drought, USDA provided assistance under two of the emergency feed programs authorized by the Act. More than 25 million bushels of Government grain (primarily corn) were sold to 8,982 producers as of June 1. Another 112,470 producers received $407 million in assistance under the cost-sharing program. Accounting for one-half of these payments were: Texas ($51 million), Missouri ($40 million), Montana ($35 million), Wisconsin ($35 million), Minnesota ($24 million), and Oklahoma ($22 million).

Crop Supplies

Production of grains and soybeans in the United States in 1988 is estimated to be down nearly one-third from 1987 volume, primarily because of the widespread impact of the drought. The June 12, 1989, *Supply and Demand Estimates* from USDA indicates that production of wheat, corn, sorghum, oats, barley, and soybeans in 1988 was estimated at 9.35 billion bushels, compared to 12.7 billion bushels in 1987 and 14.2 billion bushels in 1986.

Despite this significant reduction in production, USDA officials stress that the Nation's supplies will be sufficient to meet both domestic and export demand. However, the Nation's once bountiful surplus of grain is expected to be significantly smaller by the end of this summer. USDA estimates that consumption of U.S. grain and soybeans will exceed production by nearly 3.84 billion bushels for the year, meaning that ending stocks of major grains and soybeans will be 3.1 billion bushels by the end of the summer of 1989, a 57% reduction from the 6.9 billion bushel carryover surplus a year earlier (see **Table 2**).

USDA projects that if 1989 production of corn, soybeans, and other fall-harvested crops returns to near normal, the U.S. ending stocks of grains and soybeans will increase 14% from 1988-89 to 3.5 billion bushels by the end of the

1989-90 marketing year. However, because of the decline in winter wheat production, total U.S. wheat ending stocks are expected to fall further from 594 million bushels in June 1989 to 500 million bushels in June 1990.

TABLE 2. Estimated U.S. Crop Production, Inventory and Yields

	Production			Ending Stocks*		
	1987 Actual	1988 Est.	1989 Proj.	1987/88 Actual	1988/89 Proj. or Est.	1989/90 Proj.
	million bushels					
Corn	7,072	4,921	7,850	4,259	1,830	2,233
Wheat	2,107	1,811	2,028	1,261	594	500
Soybeans	1,923	1,539	1,950	302	125	275
Sorghum	739	578	700	663	405	295
Oats	374	219	420	112	89	117
Barley	530	291	450	321	164	144
Total	12,745	9,359	13,398	6,918	3,118	3,564

* The first day of the marketing year varies by commodity: wheat, barley, and oats -- June 1; corn, soybeans and sorghum -- September 1.

Source: *USDA World Agricultural Supply and Demand Estimates*, June 12, 1989.

Economic Effects of the Drought

Economic Growth

The 1988 drought contributed to slower economic growth at the end of 1988, but as production returned to more normal levels in early 1989 the farm economy actually spurred the national economy. In the fourth quarter of 1988, the drought caused a 1.1% reduction in the Nation's gross national product as crop producers experienced a drastic reduction in harvest and sales. The U.S. economy grew, however, at an annual rate of 2.4% in the fourth quarter, while the nonfarm economy expanded at a 3.5% annual rate. First quarter 1989 GNP expanded at a 4.4% annual rate, but excluding the catch-up from the drought, the nonfarm economy grew at a sluggish annual pace of 1.9%.

Food Inflation and the Consumer

Preliminary estimates are that food prices for all of 1988 increased at the same rate as overall consumer prices. Food prices rose 4.1% in 1988, of which the drought

contributed only about 0.5%, while the consumer price index also rose by 4.1%. The outlook for 1989 food prices is for a similar increase, even though food grain and feed grain supplies are significantly smaller than a year ago. The food share of the consumer dollar -- about 16 cents overall, while varying for individual items -- is relatively low so that overall inflation is not severely affected by moderate increases in food prices. For every one percentage point increase in food prices, approximately $50 per year is added to the food bill of the average family of four, according to USDA estimates.

Farm Commodity Prices

Market prices for drought-affected commodities were affected by the drought last summer in anticipation of reduced crop yields. The index of prices received by farmers for all crops increased by 25.2% between May and September 1988. Winter wheat prices are currently the most volatile as conditions indicate a considerably smaller harvest than last year. Because of fragile crop conditions in the Great Plains and Corn Belt, wheat, corn, and soybeans prices on the futures market have been driven in recent weeks by current weather conditions and longer range weather forecasts. Recent reports of a return to more normal rainfall in the major growing regions contributed to a decline in most commodity prices.

Farm Income and Financial Stress

Some farmers in drought-stricken areas had reduced income levels in 1988 for two reasons: (1) reduced crop yields meant smaller cash receipts for crops, and (2) higher market prices minimized or eliminated Government deficiency payments available for program crops. However, higher market prices for the portion of production not affected by drought and the availability of direct disaster payment helped forestall a liquidity crisis for many drought-affected producers. Some farmers in regions not affected by drought had substantially higher income because of the higher prices. USDA projects that total farm cash receipts were not adversely affected by drought in 1988 because of the higher prices and because many producers released past years' crops onto the market at the higher prices. They forecast that farm income could suffer this year, though, particularly for producers who experienced a severe shortfall in production last year.

Farm Exports

The drought could have a negative effect on agricultural trade, particularly if dwindling crop supplies force the curtailment of the USDA Export Enhancement Program (EEP), a subsidy program that permits USDA to use its inventoried commodities as export bonuses. Proponents of EEP stress that the United States should continue the program to prove that the United States is a reliable source of grain to importing countries. Critics contend that with tight worldwide grain supplies, a seller's market exists, making subsidized grain sales unnecessary, and that future subsidies may even contribute to a domestic shortage.

Federal Budget

Prior to the 1988 drought, USDA estimated that Commodity Credit Corporation (CCC) outlays for price and income support programs would exceed $17 billion for

FY88. Drought-induced production declines and commodity price increases lowered the estimate to $12.5 billion. FY89 outlays, once projected at $17 billion, were recently estimated at $13.8 billion by USDA, including an allowance of $4.5 billion in farm disaster assistance payments for 1988 crop and livestock losses.

Farm Policy Implications

Program Inflexibilities: Debate has intensified over whether current farm policy is flexible enough to deal with unanticipated developments such as drought. For example, critics contend that current policy exacerbates the problem of shrinking supplies of soybeans and oats, as many farmers base their planting decisions on the availability of Government programs, rather than on prospective market conditions. In recent years, Government-established target prices have encouraged farmers to produce program crops, even though supplies of nonsupported crops have dwindled.

If the 1988 drought is followed by one of comparable severity in 1989, stock supplies of many crops will be extremely tight. Thus, unlike the 1985 farm bill, which was crafted in an environment of low prices and abundant supplies, the 1990 farm bill could be debated in a sharply contrasting environment. Such a scenario would likely have an impact on farm policy for several years.

Crop Insurance vs. Disaster Payments: Another policy issue that has captured renewed attention as a by-product of the drought is crop insurance. When Congress passed the Federal Crop Insurance Act of 1980, it was anticipated that crop insurance would permanently replace disaster payments as a cushion against natural disasters. Since that time, crop insurance has had only minimal participation levels, and Congress subsequently passed the largest agricultural disaster assistance bill in history. Despite a record payment of $1.2 billion to producers participating in Federal crop insurance, disaster payments were required because of the low 26% participation rate in the 1988 crop insurance program.

The congressionally mandated Commission to Improve the Crop Insurance Program has published its recommendations for administratively improving the crop insurance program and will propose recommendations for legislative changes this month to be considered in the 1990 farm bill debate. Attention will be focused on how to enhance farmer participation in the crop insurance program, so that Government does not shoulder the responsibility of providing expensive disaster relief programs in the future. (See CRS Report 88-739 ENR, Federal Crop Insurance: Background and Current Issues.)

LEGISLATION

H.R. 2467 (de la Garza)

1988 Disaster Assistance Extension Act. Introduced May 24, 1989; referred to Committee on Agriculture. Reported (H.Rept. 101-91) June 19, 1989. Passed House June 27, 1989.

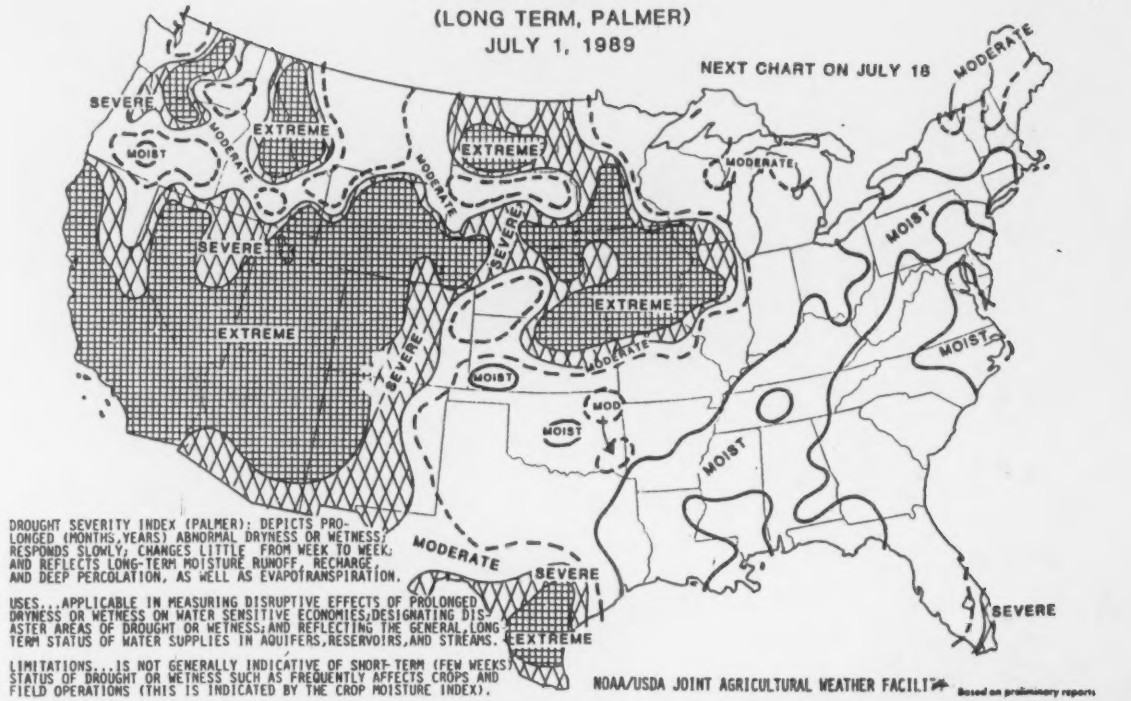
S. 1044 (Dole)

Amends the Disaster Assistance Act to extend disaster assistance to losses due to adverse weather conditions in 1988 or 1989 for those crops planted in 1988 for harvest in 1989. Introduced May 18, 1989; referred to Committee on Agriculture. (Similar bills: S. 895 (Boren) and S. 1012 (Exon)). Hearing scheduled July 13, 1989; markup July 19, 1989.

DROUGHT SEVERITY

(LONG TERM, PALMER)

JULY 1, 1989



DROUGHT SEVERITY INDEX (PALMER): DEPICTS PRO-LONGED (MONTHS,YEARS) ABNORMAL DRYNESS OR WETNESS; RESPONDS SLOWLY; CHANGES LITTLE FROM WEEK TO WEEK; AND REFLECTS LONG-TERM MOISTURE RUNOFF, RECHARGE AND DEEP PERCOLATION, AS WELL AS EVAPOTRANSPIRATION.

USES...APPLICABLE IN MEASURING DISRUPTIVE EFFECTS OF PROLONGED DRYNESS OR WETNESS ON WATER SENSITIVE ECONOMIES;DESIGNATING DISASTER AREAS OF DROUGHT OR WETNESS;AND REFLECTING THE GENERAL,LONG TERM STATUS OF WATER SUPPLIES IN AQUIFERS,RESERVOIRS,AND STREAMS.

LIMITATIONS...IS NOT GENERALLY INDICATIVE OF SHORT-TERM (FEW WEEKS) STATUS OF DROUGHT OR WETNESS SUCH AS FREQUENTLY AFFECTS CROPS AND FIELD OPERATIONS (THIS IS INDICATED BY THE CROP MOISTURE INDEX).

NOAA/USDA JOINT AGRICULTURAL WEATHER FACILITY Based on preliminary reports

Kansas Livestock Association

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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter

STATEMENT

TO THE

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION

AND FORESTRY

SENATOR PATRICK LEAHY, CHAIRMAN

ON BEHALF OF THE

KANSAS LIVESTOCK ASSOCIATION

PRESENTED BY

WARREN WEIBERT, OBERLIN, KANSAS

IN REGARD TO

LIVESTOCK PROVISIONS OF DROUGHT LEGISLATION

JULY 13,1989

The Kansas Livestock Association (KLA) is a trade organization made up of nearly 10,000 members located in all of the 105 counties. KLA, founded in 1894, has members who are actively involved in numerous aspects of livestock production that include cow-calf/stocker producers, feeders, sheep producers, swine operators, and general farming and ranching enterprises.

Warren Weibert serves as president of the association and is an owner/manager of Decatur County Feedyards, Inc., at Oberlin, Kansas.

The Kansas livestock industry is the main spoke in the state's economic wheel. Cash receipts from the cattle industry exceeded $3.8 billion in 1988. Kansas ranks second nationally in total cattle and calf numbers with nearly 6 million head. The industry depends heavily on forage and grain produced in the midwest and has been significantly impacted by the 1988-89 drought.

The Kansas Livestock Association is genuinely interested in drought legislation and is submitting the following remarks for the Senate Agriculture Committee's consideration. Our testimony addresses provisions that can help lessen the blow for cattlemen.

On May 20, 1989, KLA testified at the House Subcommittee field hearing in Great Bend and confirmed the drought was causing cow herd liquidations, changes in normal marketing patterns, and prohibiting most of the state's cattlemen from producing forage for winter reserves. Since then, we have seen abnormally cool weather and timely showers over most of the state. This has bought us some time and taken the edge off a desperate and emergency situation. North central, central and northeast Kansas is still in a critical situation. There is practically no subsoil moisture to get us through the hot, dry and windy conditions that normally exist in July and August. Like the wheat producer, most of the damage to our forage crop has already occurred and rains we receive from now on will not erase losses our cow herd owners and stocker operators have witnessed to date. This committee can help address these losses and lay the framework for assisting producers in Kansas and the midwest.

We thank USDA for releasing set-aside acres for haying and grazing purposes. The showers last month will likely produce desperately needed forage from the Acreage Conservation Reserve (ACR) and Conserving Use (CU) acres. I applaud Secretary Yuetter and USDA for expediting the release of these acres when it became obvious in April we were going to be short of feed during our growing season. I must add, however, the restricted and unrealistic guidelines for use of Conservation Reserve Program (CRP) land did little to help the forage supply situation. It seems unfair to allow cornbelt producers to use this land in 1988 for a 25% rental rate and then charge our producers 50% this year!

It's now time, however, to concentrate our efforts on other initiatives and strive to design and implement programs that can truly help our farmers and ranchers. Senators Dole and Kassabaum have offered a bill containing a couple of programs that specifically target areas that our association believes are appropriate and necessary. I am speaking of the transportation and water cost share programs. Last year's drought bill provided for such programs, but USDA chose not to implement them. We believe these programs should be reaffirmed in this year's legislation. Let's send a signal to USDA that such programs are a necessary ingredient for meaningful drought relief actions.

I'd like to list and expand upon the recommendations we have identified:

Water Cost Share

Stock water availability and supplies are paramount to our grazing operations. A recent Kansas Agricultural Statistics survey revealed that our state's stock water supplies are (mid-June) rated 47% very short to short and 53% adequate to surplus. Because water is such a vital resource, last summer many cattlemen started drilling wells, revamping old abandoned wells, installing pipelines, developing or improving springs, renovating windmills, and excavating ponds. These activities amounted to a

significant emergency expense. KLA feels strongly that USDA should implement this program and make it retroactive to last year. Not only will this program help cattlemen, it will also provide a long-term conservation investment for future generations.

Transportation Cost Share

The 1988 drought bill, recently passed House legislation, and Senators Dole and Kassabaum's proposal all contain a provision to partially reimburse producers for transportation costs incurred by moving cattle to "greener pastures." It's too early to determine, but it appears that hundreds of cattlemen shipped their herds out of state or to more fortunate areas of Kansas to avoid liquidating their herds. These trucking costs are significant. It costs about 5 1/2 ¢/mile to transport a cow-calf pair. For example, a 400 mile trip would cost $44.00 for each pair.

We suggest the cost share be provided for two-way transportation so there is an incentive to bring our cow herds back home and help our local rural economy. We are willing to limit this cost share program for the transportation of foundation cow herds only.

Our nation's cow herd is the smallest since 1952. A transportation assistance program is a practical and sensible approach to help offset costs incurred by operators who are grasping to keep their herds intact.

Livestock Feed Programs

Our members have repeatedly and consistently voiced concerns with key elements of the livestock feed programs. By using the "feed on hand" calculation to determine eligibility/benefits, the prudent managers are penalized. In addition, the cow energy requirements are based on outdated and insufficient data, which underestimates the feed needs of today's beef cow. KLA believes these two provisions need to be overhauled. Let's base eligibility and benefits on a producer's actual feed production loss so it is more fair and equitable.

I understand the House bill urges USDA to rework the feed program regulations. Perhaps a similar message from the Senate would be appropriate.

Tax Treatment of Forced Sales

Thanks to the foresight of many of you, the Tax Code allows for a special treatment of income received from the sale of breeding livestock sold due to drought. The rule applies to money received from breeding livestock (those subject to capital gains) sold in excess of the normal culling rate of an operation. This law allows producers two years to reinvest the money in a

breeding herd. We are asking that this two-year period be extended to four-years. It's not always easy to locate breeding replacements that fit each individual operation or have comparable genetics to those liquidated.

In closing, we are not unsympathetic to your challenge. It is difficult to develop a useful bill that provides real benefits to agricultural producers and is fiscally responsible or practical. From our point of view, the water cost share proposal is the most important aspect and should become USDA's top priority for the livestock industry's part in drought relief. Again, I must emphasize, such a program needs to be retroactive to be truly beneficial. If this is not a retroactive project, the program will be unfair and cause farmers and ranchers to feel like Washington, D.C. is incapable of providing programs that are sincerely designed for the benefit of producers needing relief.

Thanks for your consideration. We are working closely with the National Cattlemen's Association on this matter and are willing to provide this committee with additional information that may be helpful in crafting a drought bill.

Statement of the National Farmers Union, submitted by Howard Lyman, Legislative Analyst, Senate Committee on Agriculture, Nutrition and Forestry, July 13, 1989.

The National Farmers Union is deeply concerned about American farmers who are for the second year in a row facing adverse weather in 1989. The 1988 drought was the worst weather problem in 50 years, and the weather in 1989 makes it very difficult to tell where the problem of '88 leaves off and the problem of '89 begins.

Problems with subsoil moisture, seedbed conditions, plant rooting, insect infestation, over-wintering disease, winterkill, and wind damage are directly related to the adverse weather of the recent cycle. Unfortunately, when a farmer is trying to manage the risks he faces on his land from the ravages of weather, there are limits on what he can do to protect his crops. The Federal Crop Insurance program has not been an acceptable risk management tool, and a thorough, congressionally-mandated review will not be completed in time to be of use this crop year. Consequently, when the weather fails to cooperate, the farmer must depend on the government for help.

Weather in 1989 is about as extreme as any the United States has experienced in its short history. At a time when some states are receiving an over-supply of moisture measured by the foot per day, adjoining states are bone dry. The lack of subsoil moisture is a time bomb that can ruin a crop in less than a week if dry winds and high temperatures occur together. As a result, we are seeing states with good crop prospects turn into large disaster areas in less than two weeks time.

The National Farmers Union believes that the legislation under review in this hearing should be classified as disaster aid and not just drought aid. Precedent set by 1988 drought legislation will have a tremendous impact in the resolution of 1989 weather problems. When we look for solutions, we should look to all areas of existing law as well as to new pieces of legislation. For example, the 1988 drought bill could be used for fall-seeded 1989 crops, the disaster response provision used by the Agriculture Secretary could address areas suffering from too much water, and payments in crop areas could be tied to savings in deficiency payments.

When the members of National Farmers Union are polled on their needs for weather-related help, their universal response is, "we hope we will not need help," but they agree that programs should be in place to assist with problems such as freezes requiring reseeding, lack of subsoil moisture, high temperatures, bad field conditions, and so on. Time has made it increasingly clear that a comprehensive disaster bill will be needed

in 1989 if the fragile structure of our agricultural economy is to be maintained. In states such as Texas, Oklahoma, and Kansas, the extent of the problem is already very evident. In the states further north, we are only now beginning to see the magnitude of the problems, which could multiply if the rain amounts and temperatures in the weeks ahead are adverse.

There will in all probability be only one disaster bill, and it should attempt to be as fair as the 1988 drought bill and use the tested formulas that served us well the last time.

In the future, Federal Crop Insurance may make disaster legislation very different, but the die is cast for 1989. The solution that worked in 1988, with the same set of circumstances, should be the pattern for the 1989 legislation.

PREPARED STATEMENT OF STEVEN MAURER, DIRECTOR, OHIO DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the committee, thank you for this opportunity to present testimony on behalf of the Ohio Department of Agriculture as you consider the extension of last year's disaster relief legislation.

While a drought is again gripping States in the Midwest and West, Ohio farmers have had to endure excess rainfall that kept them from planting until extremely late in the season. For example, by June 5 only 50 percent of the corn crop and 22 percent of the soybean crop had been planted. This compares to 100 percent of the corn crop and 92 percent of the soybean crop last year. It is estimated that corn yields fall 1 bushel per acre each day planted after May 20. For soybeans, it is one-half bushel per acre each day after June 1.

Only 70 percent of the corn acreage was able to be planted this year. While some of that acreage will now be planted to soybeans, farmers who depend on their corn for feed will be forced to buy additional feed to sustain their herds. These farmers have also had to contend with poor quality hay in their first cut. In addition to damp weather, various diseases and insects are damaging hay. These include potato leaf hoppers, weevils, phytopthora, rootrot, and leaf spot. Many fields have large bare areas from standing water, especially in the northeast. To date, the U.S. Department of Agriculture's Agricultural Stabilization and Conservation Service has granted emergency haying and grazing on set-aside acreage in 39 counties due to the extremely wet weather conditions.

On June 20, Governor Celeste wrote Secretary Yeutter informing him that the State's FAC Emergency Board had reviewed Damage Assessment Reports for all 88 Ohio counties and concluded that 83 counties have suffered substantial crop production losses as a result of excessive moisture. In response to Governor Celeste's request, the Farmers Home Administration is expected to name those 83 counties as Agriculture Disaster Areas.

While no dollar amount can yet be calculated for the loss that Ohio farmers will bear as a result of the excess moisture, it will likely be substantial. I request that the members of this committee include both excess moisture in the definition of "damaging weather" and a prevented planting credit in the disaster assistance legislation that you are considering.

While the drought is capturing the headlines, farmers in Ohio are also suffering from this year's unusual weather pattern. To assist only those farmers effected by drought would unfairly exclude producers in other areas of the country, such as Ohio, that will also realize a substantial loss in income.

Thank you for the opportunity to present this testimony.

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